



U.S. ECONOMY/  
LIMITED-SERVICE  
LODGING INDUSTRY

1987



Laventhol & Horwath



U.S. ECONOMY /  
LIMITED-SERVICE  
LODGING INDUSTRY

*7th Annual Report  
1987 Edition*

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# THE U.S. ECONOMY/ LIMITED- SERVICE LODGING INDUSTRY— TODAY AND TOMORROW

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In 1986, overall room occupancy nationwide increased .3 percent from the 1985 level. Economy lodging properties experienced a decrease in room occupancy, registering a 1.3 percent decline from the 1985 level, according to Laventhol & Horwath's *National*

*Trend of Business in the Lodging Industry and National Trend of Business—Economy/Limited-Service Lodging Industry.\**

Occupancies at economy/limited-service properties over the past six years, compared with the lodging industry as a whole, are shown in Table 1. Occupancies in the economy/limited-service sector have shown a consistent decline, while the industry as a whole appears to be stabilizing.

Table 1

Occupancy Percents 1981-1986

| Year | Total Industry | Economy/Limited-Service Properties |
|------|----------------|------------------------------------|
| 1981 | 67.1%          | 67.3%                              |
| 1982 | 64.6           | 66.0                               |
| 1983 | 65.2           | 65.3                               |
| 1984 | 65.9           | 65.2                               |
| 1985 | 64.4           | 64.0                               |
| 1986 | 64.7           | 62.7                               |

It is anticipated that 1987 should show a slight increase for economy/limited-service properties as demand begins to catch up with the much slower or stalled expansion of room supply. Occupancies in 1988 should be even better, as long as the country avoids a recession.

Room sales per occupied room for economy/limited-service properties reached \$31.14, a 3.5 percent increase from 1985. By comparison, sales in that category rose 4.9 percent to \$61.95 for the entire industry. This is the third consecutive year that room sales per occupied room for the industry as a whole increased at a faster rate than those for economy/limited-service properties.

## Top 50 Chains

The top 50 economy/limited-service lodging chains had a combined total of 4,448 properties and 432,800 rooms at the end of 1986. It is anticipated that an additional 965 properties, representing 95,100 rooms, will open and be part of the Top 50 chain inventory by the end of this year.

That is still amazing growth, especially in light of the changes in tax laws and the fear of overbuilding. The expected 22 percent

\*Because they are taken from different samples, figures from L&H's monthly Trends do not agree with those in the annual study, *U.S. Lodging Industry 1987*.



annual increase in rooms over 1986 may appear bullish; however, not all of that growth will be new construction. Surprisingly, more than 34 percent of the chains surveyed responded that a good portion of their growth would come from conversions, and few of those chains previously had grown only through new construction. Of the 95,100 new rooms anticipated in 1987, more than 30,000 (31 percent) will be directly from conversions.

The next logical question is: Where are the Top 50 going to come up with all those conversions? Conversions conceivably can only come from three sources: independent properties that now desire to affiliate or be purchased; full-service, middle-market properties that, for whatever reason, now consider the economy/limited-service sector the best place to market their facilities and thus change flags, and cannibalization of each other's properties within the top 50. Real increase in room inventory, then, should be less than the 22 percent anticipated in 1987.

After scanning this list, several new additions and the absence of some old names is obvious. There are eight new chains on the list.

Travelodge and Rodeway Inns both requested that they be considered in the economy/limited-service lodging sector; based on their property size, rate structure and facilities offered, it is understandable that they should make this request. Friendship Inns was included this year as a result of its conversion from a referral system to a true franchise system. Wynfield Inns, Cross Country Inns, Economy Motels of America and Lees Inns are now on the list as a result of growth in their chains. Select Inns returns, not because of growth but as a result of industry consolidation.

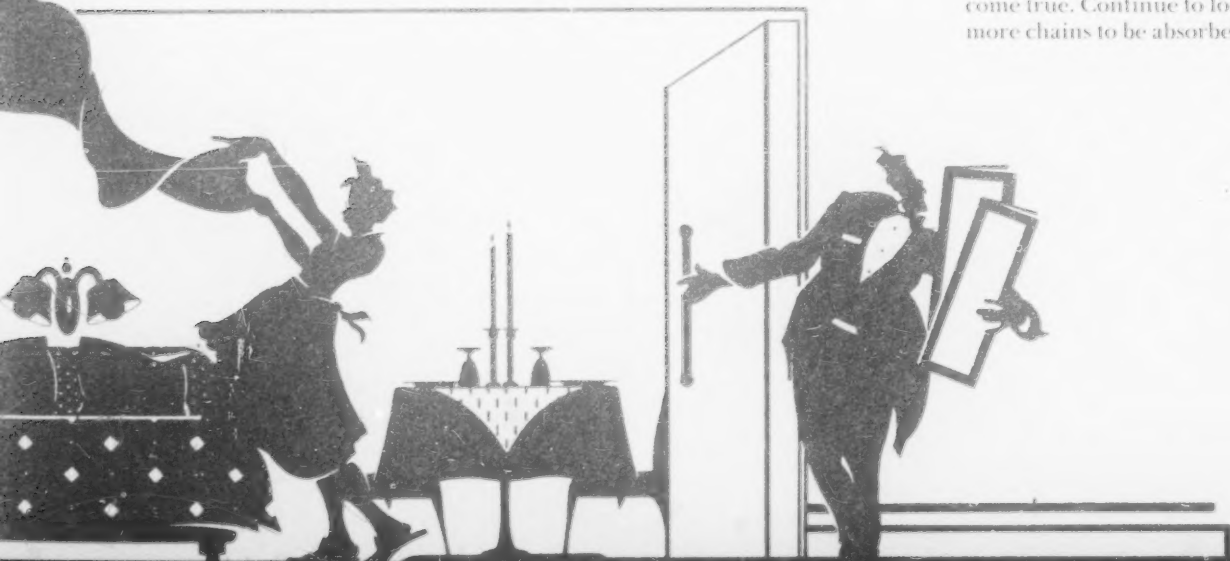
Two chains have changed their names since last year's listing. Bargaintel Inns became Envoy Inns, and Imperial 400 National became Imperial Inns. Also, Imperial Inns was recently acquired by Interpart America Inc., a newly formed subsidiary of Interpart S.A. of Luxembourg. Interpart acquired

91 percent of Imperial Inns. That now makes two of the Top 50 economy/limited-service chains owned by European companies. The other one is Travelodge, owned by Trusthouse Forte, London. (Rodeway Inns was owned by Ladbroke of London but was recently sold to Ramada, Inc.)

Chains that have slipped off this year's list are Thrifty Scot Motels, a majority of which were converted to Days Inns in 1986; Kings Inns, which did not want to be considered, and Apple Inns, which were purchased in 1987 by Motel 6 and converted. Budgeteer Inns was also sold; three were converted to Motel 6 with only three remaining as Budgeteers as of this writing and, therefore, did not have enough rooms to qualify for this year's list. Amberly Hotels entered into an arrangement with Quality International and is now a franchisee. Stratford House Inns, AmeriSuites and Pony Soldier Motor Inns did not make the required room cut-off.

#### Wave of mergers

What I predicted last year was a wave of mergers and consolidations, and it appears evident that, with five of last year's Top 50 absorbed by larger chains, it has come true. Continue to look for more chains to be absorbed.



The chains on the Top 50 list that are expected to have the greatest increase in ranking from the end of 1986 to the end of 1987 are Wynfield Inns, which rose nine places, and National 9 Motels and Travelers Inns, which both rose five places. Three chains are tied for improving their rankings by four places.

The 10 chains that expect to add the most new rooms this year are listed in Exhibit A. Days Inns heads the list. It should be noted that nine of the 10 are primarily franchise organizations, and a majority are looking toward conversion of existing properties to continue their growth. These 10 chains are expected to add 72 percent of all the additional rooms in 1987, or a total of 68,500 out of 95,100.

In contrast, the 10 chains that expect no additional rooms or nominal growth are listed in Exhibit B. Seven chains expect to add no rooms to their systems, two chains expect only 100 additional rooms and one chain expects to add 200 rooms.

The color graphic map of the United States divides the country into 11 geographic regions (page 5).

The South Atlantic region contains approximately 21 percent of the total supply of rooms, outdistancing its closest competitor by more than 6 percentage points. The region with the fewest rooms is New England.

The 10 states with the most rooms are shown in Exhibit C.

It appears that the geographic distribution of rooms largely relates to state populations size and the likely market demand.

In the continental United States, California and Florida are the top two domestic holiday destinations. With their burgeoning commercial centers and significant populations, the two states boast approximately 21 percent of the total stock of rooms.

However, there also exists a correlation between the number of economy/limited-service rooms in a state and the number of chains with headquarters there, as a result of those chains needing to keep marketing and management efficiency and effectiveness at optimum levels. Thus, Texas and Ohio rank high on the list because each state has at least four Top 50 chains with headquarters located in the state. The top 10 states account for more than 57 percent of the total economy/limited-service chain rooms in the country.

#### Exhibit A

##### The Ten Fastest-Growing Chains Ranked by Number of Rooms Expected to Open in 1987

|                        | Number of rooms to be added in 1987 | Percent of total additional rooms |
|------------------------|-------------------------------------|-----------------------------------|
| 1 Days Inns of America | 11,500                              | 12.1%                             |
| 2 Friendship Inns      | 10,600                              | 11.1                              |
| 3 Comfort Inns         | 8,700                               | 9.1                               |
| 4 Rodeway Inns         | 7,500                               | 7.9                               |
| 5 Super 8 Motels       | 7,000                               | 7.4                               |
| 6 Hampton Inn Hotels   | 5,500                               | 5.8                               |
| 7 Knights Inn          | 4,900                               | 5.2                               |
| 8 Econo Lodges         | 4,300                               | 4.5                               |
| 9 Travelodge           | 4,300                               | 4.5                               |
| 10 National 9 Motels   | 4,200                               | 4.4                               |

Source: Laventhol & Horwath Survey

#### Exhibit B

##### The Ten Slowest Or No-Growth Chains Ranked by Number of Rooms Expected to Open in 1987

|                        | Number of rooms to be added in 1987 |
|------------------------|-------------------------------------|
| 41 E-Z 8 Motels        | 200                                 |
| 42 Regal 8 Inns        | 100                                 |
| 43 Prime Rate Motels   | 100                                 |
| 44 Economy Motels      | 0                                   |
| 45 Vagabond Inns       | 0                                   |
| 46 Shilo Inns          | 0                                   |
| 47 Texian Inns         | 0                                   |
| 48 McIntosh Motor Inns | 0                                   |
| 49 Roadstar Inns       | 0                                   |
| 50 Select Inns         | 0                                   |

Source: Laventhol & Horwath Survey

#### Exhibit C

##### The Top Ten States With The Most Rooms

| Rank | State          | Rooms in 1986 |
|------|----------------|---------------|
| 1    | California     | 11.9%         |
| 2    | Texas          | 9.5           |
| 3    | Florida        | 9.2           |
| 4    | Georgia        | 5.3           |
| 5    | Ohio           | 4.3           |
| 6    | Virginia       | 4.1           |
| 7    | North Carolina | 4.0           |
| 8    | Tennessee      | 3.3           |
| 9    | Illinois       | 2.8           |
| 10   | Arizona        | 2.7           |

Source: Laventhol & Horwath Survey

The five states with the most chains represented are shown in Exhibit D. These five states appear to be where many chains want to place properties. Eight of the 13 states are represented on the top 10 list as states with the most rooms.

#### Top 50 outlook

Conversions of existing properties, mergers and an emphasis on marketing will be continuing trends in this industry segment. Occupancy will increase slightly in 1987 compared with 1986, which ended at 62.7 percent. Average daily room rates will remain relatively flat in 1987, with less than a 5 percent increase over the 1986 average daily rate of \$31.14.

Look for additional chains to emerge on next year's list, like Marriott's Fairfield Inns, Radisson's Country Inns, Franklin Inns and Leisure Inns.

#### Exhibit D

##### Top Five States With The Most Chains Represented

| Rank | States                                       | Number of Chains Represented |
|------|----------------------------------------------|------------------------------|
| 1    | Texas                                        | 25                           |
| 2    | Indiana                                      | 23                           |
| 3    | Georgia, Illinois                            | 22                           |
| 4    | Arizona, Florida, Kentucky, Michigan, Ohio   | 21                           |
| 5    | Alabama, Colorado, North Carolina, Tennessee | 20                           |

Source: Laventhol & Horwath Survey

As a result of the lack of market-justified sites, chains will be increasingly forced to shift their emphasis from development toward improved operations and more widespread and costly marketing and promotional techniques. This will enable them to differentiate themselves in the marketplace and to target more directly their potential market niches.

Nevertheless, even financially secure chains face obstacles. As the marketplace becomes increasingly squeezed and chains find themselves forced to offer more and more extras, profit levels are likely to continue to decline, and the economy/limited-service properties will find themselves going through the same downward spiral that began to hit the full-service hotels in the early 1980s.

#### Take the initiative

Chains could reverse this trend by taking the initiative and creating revenues instead of costs. Since economy/limited-service chains are primarily rooms-only, the focus should be on generating additional revenues from in-room amenities. This would include items such as in-room mini-bars, containing soft drinks, snacks, juices and even beer and wine for sale; in-room safes; video-cassette rentals with player-only video-tape machines attached to the television, and installation of frozen-entree vending machines with microwave ovens for those arriving late. Instead of giving these away and creating additional costs, offer them to guests at a reasonable price and generate revenue.

#### Economy segment risks

In this segment of the lodging business, I maintain there are only two real risks. One is the lack of vision to see where we can go on an industry scale; the other is just a lack of nerve to go there. The economy/limited-service chain segment has always been on the leading edge of new concepts, ideas, amenities and services. This is what made this segment prosper and expand, and what will keep it strong.

Laventhol & Horwath expresses its appreciation and thanks to those who contributed to this study. Their suggestions, comments, articles and timely assistance have made this 1987 edition of the *U.S. Economy/Limited-Service Lodging Industry* study possible.

*In 1530,  
King Henry  
suppressed the  
monasteries,  
forcing the  
growth of inns.*



### Geographic Concentration Legend

| Region                     | States                     |
|----------------------------|----------------------------|
| New England (NE)           | ME, NH, VT, MA, CT, RI     |
| Mid Atlantic (MA)          | NY, NJ, PA                 |
| Upper South Atlantic (USA) | MD, DE, WV, VA             |
| South Atlantic (SA)        | FL, GA, NC, SC             |
| East North Central (ENC)   | IL, IN, OH, MI, WI         |
| East South Central (ESC)   | AL, KY, MS, TN             |
| West North Central (WNC)   | IA, KS, MN, MO, NB, ND, SD |
| West South Central (WSC)   | AR, LA, OK, TX             |
| Upper Mountain (UM)        | CO, ID, MT, UT, WY         |
| Lower Mountain (LM)        | AZ, NV, NM                 |
| Pacific (P)                | CA, OR, WA                 |

Top 50 U.S. Economy  
Limited-Service  
Lodging Chains

| Rank<br>1986 | Rank<br>1987 | Chain Name/<br>Headquarters<br>Location                                                                                                                                                     | Ownership<br>Structure |                       | As of<br>January 1, 1987 |                    | Expected<br>to be opened by<br>December 31, 1987 |                    | Estimated 1986<br>Annual    |                    |                                  | Geographic<br>Areas                                   | Published Room Rate Ranges |                 |
|--------------|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-----------------------|--------------------------|--------------------|--------------------------------------------------|--------------------|-----------------------------|--------------------|----------------------------------|-------------------------------------------------------|----------------------------|-----------------|
|              |              |                                                                                                                                                                                             | Percent<br>Company     | Percent<br>Franchised | Number of<br>Properties  | Number of<br>Rooms | Number of<br>Properties                          | Number of<br>Rooms | Average<br>Property<br>Size | Occupancy<br>Range | Average<br>Daily<br>Room<br>Rate |                                                       | Single                     | X Person        |
| 1            | 1            | Days Inns of America<br>John Snodgrass, Senior Vice<br>President<br>2751 Buford Highway N.E.<br>Atlanta, GA 30324<br>404-325-4000, 800-325-2525                                             | 12%                    | 88%                   | 443                      | 66,400             | 530                                              | 77,900             | 147                         | 62-67%             | \$33-38                          | National                                              | \$25.00-75.00              | \$5.00 to 10.00 |
| 2            | 2            | Motel 6<br>Hugh Thrasher, Vice President-<br>Marketing<br>51 Hitchcock Way<br>Santa Barbara, CA 93105<br>805-682-6666, 505-891-6161                                                         | 100%                   | 0%                    | 409                      | 45,800             | 440                                              | 49,500             | 113                         | 64-69%             | \$20-25                          | National                                              | \$17.95-25.95              | \$5.00          |
| 3            | 3            | Travelodge<br>Jere M. Hooper, Vice President-<br>Franchise<br>1973 Friendship Drive<br>El Cajon, CA 92020<br>619-448-1884, 800-255-3050                                                     | 56%                    | 44%                   | 440                      | 34,500             | 496                                              | 38,800             | 78                          | Not<br>Provided    | Not<br>Provided                  | National                                              | \$22.00-65.00              | \$5.00          |
| 4            | 4            | Econo Lodges of America<br>Clarence R. Johnson, Senior Vice<br>President-Franchise<br>6135 Park Road, Suite 200<br>Charlotte, NC 28210<br>704-554-0088, 800-446-6900                        | 8%                     | 94%                   | 396                      | 31,900             | 451                                              | 36,200             | 81                          | 67-72%             | \$32-37                          | National                                              | \$20.00-75.00              | \$3.00 to 6.00  |
| 5            | 5            | Super 8 Motels<br>Loren Steele, President<br>1910 8th Avenue, N.E.<br>Aberdeen, SD 57401<br>605-225-2275, 800-843-1991                                                                      | 8%                     | 92%                   | 402                      | 25,700             | 512                                              | 32,700             | 64                          | 64-69%             | \$27-32                          | National                                              | \$21.88-54.88              | \$4.00 to 5.00  |
| 6            | 6            | Comfort Inns<br>Frederick W. Mosser, Senior<br>Vice President-Development<br>Quality International, Inc.<br>10750 Columbia Pike<br>Silver Spring, MD 20901<br>301-236-5080, 800-228-5150    | 0%                     | 100%                  | 275                      | 23,800             | 365                                              | 32,500             | 90                          | Not<br>Provided    | \$37-42                          | National                                              | \$30.00-50.00              | \$4.00 to 6.00  |
| 7            | 7            | La Quinta Motor Inns<br>Robert R. Moore, Executive<br>Vice President & Chief<br>Development Officer<br>P.O. Box 79064<br>San Antonio, TX 78279-0064<br>512-366-6000, 800-531-5900           | 96%                    | 4%                    | 187                      | 23,500             | 194                                              | 24,500             | 126                         | 60-65%             | \$35-40                          | MA, USA, SA,<br>ENC, ESC,<br>WNC, WSC,<br>UM, LM, P   | \$32.00-55.00              | \$5.00          |
| 10           | 8            | Rodeway Inns International<br>John Wilson, President<br>8585 North Stemmons Freeway<br>400 South<br>Dallas, TX 75247<br>214-630-9300, 800-228-2090                                          | 0%                     | 100%                  | 181                      | 17,000             | 204                                              | 24,500             | 120                         | 53-58%             | \$35-40                          | SA, ENC,<br>ESC, WSC,<br>LM, UM, P                    | \$28.00-64.00              | \$4.00 to 10.00 |
| 8            | 9            | Red Roof Inns<br>Robert B. Nelson, Vice<br>President-Marketing<br>4355 Davidson Road<br>Hilliard, OH 43026<br>614-876-3241, 800-843-7878                                                    | 100%                   | 0%                    | 161                      | 17,000             | 186                                              | 20,300             | 109                         | 82-87%             | \$28-33                          | NE, MA,<br>USA, SA,<br>ENC, ESC,<br>WSC, WNC          | \$23.95-36.95              | \$5.00          |
| 11           | 10           | Hampton Inn Hotels<br>Raymond E. Schultz, President<br>6799 Great Oaks Road<br>Suite 100<br>Memphis, TN 38138<br>901-756-2611, 800-HAMPTON                                                  | 11%                    | 89%                   | 104                      | 13,400             | 147                                              | 18,900             | 128                         | Not<br>Provided    | \$35-40                          | NE, MA,<br>USA, SA,<br>ENC, WNC,<br>WSC, UM,<br>LM, P | \$25.00-60.00              | \$5.00          |
| 9            | 11           | Hospitality International<br>(Master Hotels/Red Carpet/<br>Scottish Inns)<br>Richard H. Rogers, President<br>1152 Spring Street, Suite A<br>Atlanta, GA 30309<br>404-873-5924, 800-251-1962 | 0%                     | 100%                  | 217                      | 17,300             | 332                                              | 18,000             | 78                          | 67-72%             | Not<br>Provided                  | NE, MA,<br>USA, SA,<br>ENC, ESC,<br>WNC, WSC,<br>LM   | \$19.00-45.00              | \$4.00          |
| 12           | 12           | Knights Inn<br>Art W. Shiles, President<br>6561 E. Livingston Avenue<br>Reynoldsburg, OH 43068<br>614-876-1569                                                                              | 99%                    | 1%                    | 107                      | 11,800             | 152                                              | 16,700             | 110                         | 73-78%             | \$28-33                          | MA, USA,<br>SA, ENC,<br>ESC                           | \$27.50-32.50              | \$3.00          |
| 15           | 13           | Friendship Inns International<br>Al Olschan, President<br>2627 Paterson Plank Road<br>North Bergen, NJ 07047<br>201-863-3443, 800-367-6388                                                  | 0%                     | 100%                  | 142                      | 5,500              | 248                                              | 16,100             | 60                          | 60-65%             | \$33-37                          | National                                              | \$22.00-35.00              | \$10.00 to 8.00 |
| 19           | 14           | National 9 Inns<br>Rod Jensen, President<br>9010 Soquel Drive<br>Aptos, CA 95003<br>800-524-9999, 800-521-9999<br>(CA)                                                                      | 0%                     | 100%                  | 81                       | 4,400              | 156                                              | 8,600              | 55                          | 70-75%             | \$28-33                          | SA, ESC,<br>WNC, WSC,<br>LM, UM, P                    | Not Provided               | Not Provided    |

Top 50 U.S. Economy  
Limited-Service  
Lodging Chains

| Rank<br>1986 | Rank<br>1987 | Chain Name/<br>Headquarters<br>Location                                                                                                                                           | Ownership<br>Structure |                       | As of<br>January 1, 1987 |                    | Expected<br>to be opened by<br>December 31, 1987 |                    | Estimated 1986<br>Annual    |                    |                                  | Geographic<br>Areas                                   | Published Room Rate Ranges |                |
|--------------|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-----------------------|--------------------------|--------------------|--------------------------------------------------|--------------------|-----------------------------|--------------------|----------------------------------|-------------------------------------------------------|----------------------------|----------------|
|              |              |                                                                                                                                                                                   | Percent<br>Company     | Percent<br>Franchised | Number of<br>Properties  | Number<br>of Rooms | Number of<br>Properties                          | Number<br>of Rooms | Average<br>Property<br>Size | Occupancy<br>Range | Average<br>Daily<br>Room<br>Rate |                                                       | Single                     | 2 Person       |
| 13           | 15           | Allstar Inns<br>Edward J. Gallagher, President<br>2020 De La Vina Street<br>Santa Barbara, CA 93130-3070<br>805-687-3383                                                          | 100%                   | 0%                    | 69                       | 7,300              | 76                                               | 8,100              | 107                         | 70-75%             | \$25-30                          | UM, LM,<br>WSC, P                                     | \$23.95-29.95              | \$4.00         |
| 18           | 16           | Sixpence Inns of America<br>Donald E. Sodaro, President<br>1751 E. Garry Avenue<br>Santa Ana, CA 92705<br>714-250-1922                                                            | 100%                   | 0%                    | 39                       | 4,700              | 49                                               | 6,100              | 124                         | 88-93%             | \$22-27                          | NE, ENC,<br>LM, UM, P                                 | \$20.00-28.00              | \$4.00         |
| 17           | 17           | Shoney's Inns<br>James M. Grouf, Vice President<br>1727 Elm Hill Pike<br>Nashville, TN 37210<br>615-366-9260, 800-222-2222                                                        | 10%                    | 90%                   | 38                       | 4,800              | 48                                               | 6,100              | 127                         | 65-70%             | \$30-35                          | SA, USA,<br>ESC, WSC,<br>WNC                          | \$28.00-45.00              | \$4.00 to 6.00 |
| 14           | 18           | Regal Inns<br>D. Bruce Geary, President and<br>Chief Executive Officer<br>800 South 45th, P.O. Box 1268<br>Mt. Vernon, IL 62864<br>618-242-7240, 800-851-8888                     | 100%                   | 0%                    | 54                       | 5,900              | 55                                               | 6,000              | 109                         | Not<br>Provided    | Not<br>Provided                  | SA, ENC,<br>ESC, WNC,<br>WSC, UM,<br>LM               | \$22.88-27.88              | \$5.00         |
| 20           | 19           | Budgetel Inns<br>Steve Marcus, President and<br>Chief Executive Officer<br>212 Wisconsin Avenue<br>Milwaukee, WI 53203<br>414-272-6020, 800-4-BUDGET                              | 98%                    | 2%                    | 42                       | 4,400              | 55                                               | 5,700              | 104                         | 78-83%             | \$30-35                          | SA, ENC,<br>ESC, WNC,<br>WSC                          | \$24.95-36.95              | \$5.00         |
| 16           | 20           | Drury Inns<br>Chuck Drury, President<br>10801 Pear Tree Lane<br>St. Louis, MO 63074<br>314-429-2255, 800-325-8300                                                                 | 100%                   | 0%                    | 43                       | 4,900              | 50                                               | 5,500              | 110                         | Not<br>Provided    | Not<br>Provided                  | WNC, WSC,<br>ENC, ESC,<br>LM                          | \$32.00-50.00              | \$5.00 to 6.00 |
| 23           | 21           | Ho Penny Inns<br>Joseph Mazzola, Vice President-<br>Franchise<br>625 The City Drive<br>Orange, CA 92668-4924<br>714-639-0810, 800-854-6111                                        | 99%                    | 1%                    | 29                       | 3,500              | 44                                               | 4,700              | 107                         | 75-80%             | \$35-40                          | LM, P                                                 | Not Provided               | Not Provided   |
| 21           | 22           | Imperial Inns (formerly Imperial<br>400 National)<br>A. Dennis Fitzgerald, Vice<br>President<br>1000 Wilson Blvd., Suite 820<br>Arlington, VA 22209<br>703-524-4880, 800-368-4400 | 95%                    | 5%                    | 62                       | 3,900              | 65                                               | 4,300              | 66                          | Not<br>Provided    | \$32-37                          | NE, MA,<br>USA, SA,<br>ENC, WNC,<br>WSC, UM,<br>LM, P | \$30.00-45.00              | \$5.00         |
| 24           | 23           | Downtowner/Passport Inns<br>Terry Graham, President<br>454 Moss Trail<br>Goodlettsville, TN 37072<br>615-859-4522, 800-238-6161                                                   | 0%                     | 100%                  | 39                       | 3,300              | 49                                               | 4,300              | 88                          | 60-65%             | \$40-45                          | SA, ESC,<br>WSC                                       | \$20.00-40.00              | \$4.00 to 5.00 |
| 26           | 24           | Chalet Suisse International<br>Fred B. Roedel, President<br>Charlet Drive<br>Wilton, NH 03086<br>603-654-2000, 800-258-1980                                                       | 84%                    | 16%                   | 30                       | 3,200              | 38                                               | 4,100              | 105                         | 75-80%             | \$30-35                          | NE                                                    | \$30.00-40.00              | \$4.00         |
| 22           | 25           | The Vagabond Inns<br>Gerald M. Kadish, President<br>Northview Corporation-Hotels<br>Division<br>10021 Willow Creek Road<br>San Diego, CA 92131<br>619-578-8710, 800-522-1555      | 100%                   | 0%                    | 43                       | 3,700              | 43                                               | 3,700              | 86                          | 65-70%             | \$45-50                          | LM, P                                                 | \$40.00-60.00              | \$5.00         |
| 25           | 26           | Family Inns of America<br>Kenneth M. Seaton, President<br>P.O. Box 10<br>Pigeon Forge, TN 37863<br>615-453-1240, 800-251-9752                                                     | 70%                    | 30%                   | 32                       | 3,200              | 35                                               | 3,500              | 100                         | 60-65%             | \$30-35                          | ENC, ESC                                              | Not Provided               | Not Provided   |
| 27           | 27           | Ezel Inns of America<br>Terry Haljar, Vice President<br>4706 E. Washington Avenue<br>Madison, WI 53704<br>608-241-5271, 800-356-8013                                              | 100%                   | 0%                    | 26                       | 3,000              | 29                                               | 3,400              | 117                         | Not<br>Provided    | \$25-30                          | ENC, WNC,<br>WSC                                      | \$24.00-37.00              | \$5.00         |
| 28           | 28           | Lexington Hotel Suites<br>Ricky A. Wilkins,<br>President & CEO<br>3501 N. MacArthur Boulevard<br>Suite 403<br>Irving, TX 75062<br>214-659-0220, 800-527-1877                      | 25%                    | 75%                   | 19                       | 2,900              | 22                                               | 3,300              | 150                         | 72-77%             | \$40-45                          | SA, ESC,<br>ENC, WSC,<br>LM, P                        | \$40.00-70.00              | \$5.00         |
| 29           | 29           | L.K. Motels/Country Hearth Inns<br>Ronald Devine, President<br>1125 Ellen Kay Drive<br>Marion, OH 43302<br>614-387-0300, 800-848-5767                                             | 98%                    | 2%                    | 53                       | 2,800              | 60                                               | 3,300              | 55                          | 66-69%             | \$30-35                          | ENC, ESC                                              | \$25.00-37.00              | \$6.00         |

Top 50 U.S. Economy  
Limited-Service  
Lodging Chains

| Rank<br>1986 | Rank<br>1987 | Chain Name/<br>Headquarters<br>Location                                                                                                                                           | Ownership<br>Structure |                       | As of<br>January 1, 1987 |                    | Expected<br>to be opened by<br>December 31, 1987 |                    | Estimated 1986<br>Annual    |                    |                                  | Geographic<br>Areas | Published Room Rate Ranges |                 |
|--------------|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-----------------------|--------------------------|--------------------|--------------------------------------------------|--------------------|-----------------------------|--------------------|----------------------------------|---------------------|----------------------------|-----------------|
|              |              |                                                                                                                                                                                   | Percent<br>Company     | Percent<br>Franchised | Number of<br>Properties  | Number of<br>Rooms | Number of<br>Properties                          | Number of<br>Rooms | Average<br>Property<br>Size | Occupancy<br>Range | Average<br>Daily<br>Room<br>Rate |                     | Single                     | X Person        |
| 30           | 30           | E-Z 8 Motels<br>William S. Bannasch, President<br>2454 Hotel Circle Place<br>San Diego, CA 92108<br>619-291-4924                                                                  | 100%                   | 0%                    | 31                       | 2,800              | 33                                               | 3,000              | 91                          | 73-78%             | P                                | \$25-30             | \$17.88-32.88              | \$3.00          |
| 36           | 31           | Travelers Inns<br>Jack B. Campbell<br>2701 E. Chapman Ave., Suite 210<br>Fullerton, CA 92635<br>714-773-0555                                                                      | 100%                   | 0%                    | 16                       | 2,000              | 24                                               | 2,900              | 121                         | 65-70%             | WSC, LM, P                       | \$20-25             | \$20.00-40.00              | \$5.00          |
| 31           | 32           | Cricket Inns<br>William D. Turner<br>Executive Vice President<br>P.O. Box 10888<br>Winston-Salem, NC 27108<br>919-722-2262, 800-872-1808<br>800-522-1808 (NC)                     | 90%                    | 10%                   | 18                       | 2,200              | 21                                               | 2,700              | 129                         | 76-82%             | SA                               | \$25-30             | \$22.88-29.88              | \$5.00          |
| 37           | 33           | Luxury Budget/Wellesley Inns<br>Patrick M. Guarini, Principal<br>David M. Epstein, Principal<br>P.O. Box W Routes 6 & 11<br>Clarks Summit, PA 18411<br>717-586-1141, 800-441-4479 | 100%                   | 0%                    | 21                       | 1,700              | 30                                               | 2,600              | 87                          | 85-90%             | MA, USA, SA                      | \$30-35             | \$25.00-45.00              | \$5.00          |
| 38           | 34           | Signature Inns<br>John Bontreger, President<br>941 East 86th Street, Suite 213<br>Indianapolis, IN 46240<br>317-253-2797, 800-822-5252                                            | 100%                   | 0%                    | 15                       | 1,700              | 20                                               | 2,400              | 120                         | Not<br>Provided    | ENC, ESC                         | \$37-43             | \$32.00-45.00              | \$5.00 to 6.00  |
| 35           | 35           | America's Best Inns<br>Robert N. Brewer, President<br>1205 Skyline Drive<br>P.O. Box 1719<br>Marion, IL 62959<br>618-997-5454                                                     | 75%                    | 25%                   | 19                       | 2,000              | 22                                               | 2,300              | 104                         | Not<br>Provided    | SA, ENC,<br>WSC, WNC,<br>WSC     | Not<br>Provided     | \$23.88-32.88              | \$4.00          |
| 40           | 36           | Dillon Inns<br>Roger E. Dehring, President<br>900 East 79th Street<br>Minneapolis, MN 55420<br>612-854-2885, 800-253-7503                                                         | 100%                   | 0%                    | 14                       | 1,700              | 18                                               | 2,200              | 122                         | 65-70%             | ENC, WNC,<br>WSC, LM             | \$35-40             | \$36.00-49.00              | \$6.00          |
| 46           | 37           | Wynfield Inns<br>David M. Theophilus<br>Executive Vice President<br>6305 Westwood Blvd<br>Orlando, FL 32821-8023<br>800-327-0571 (US)<br>800-432-0348 (FL)                        | 100%                   | 0%                    | 6                        | 1,100              | 12                                               | 2,200              | 183                         | 70-75%             | SA, LM, LM                       | \$35-40             | Not Provided               | Not Provided    |
| 39           | 38           | Envoy Inns<br>(Formerly Bargaintel Inns)<br>Ted H. Steilen, CEO<br>14 East Gay Street<br>Columbus, OH 43215<br>614-469-1200, 800-227-REST                                         | 100%                   | 0%                    | 15                       | 1,700              | 19                                               | 2,100              | 111                         | 68-74%             | MA, ENC                          | \$28-33             | \$25.00-30.00              | \$5.00          |
| 41           | 39           | Koala Inns<br>Robert S. Agnello, President<br>10 Post Office Square, Suite 1315<br>Boston, MA 02109<br>617-542-1300, 800-343-7000                                                 | 100%                   | 0%                    | 14                       | 1,600              | 17                                               | 2,100              | 122                         | 70-75%             | NE, MA                           | \$60-65             | \$60.00-80.00              | \$10.00         |
| 32           | 40           | Shilo Inns<br>Mark S. Hemstreet, President<br>11600 W. Barnes Road, Suite 200<br>Portland, OR 97225<br>503-641-6565, 800-722-2244                                                 | 100%                   | 0%                    | 21                       | 2,100              | 21                                               | 2,100              | 100                         | Not<br>Provided    | LM, LM, P                        | Not<br>Provided     | \$29.00-69.00              | \$5.00 to 10.00 |
| 33           | 41           | Texian Inns<br>Jerry T. Kimbrough, President<br>P.O. Box 10505<br>San Antonio, TX 78201<br>512-349-9595, 800-531-1000                                                             | 100%                   | 0%                    | 18                       | 2,100              | 18                                               | 2,100              | 118                         | 50-55%             | WSC, LM,<br>LM                   | \$40-45             | Not Provided               | Not Provided    |
| 34           | 42           | Economy Motels of America<br>Kathleen E. Lathrum<br>Marketing Director<br>2775 Via De La Valle, Suite 204<br>Del Mar, CA 92014<br>619-481-7772, 1-800-826-0778                    | 100%                   | 0%                    | 17                       | 2,100              | 17                                               | 2,100              | 121                         | Not<br>Provided    | P, SA                            | Not<br>Provided     | \$21.00-54.00              | \$5.00          |
| 43           | 43           | Cross Country Inns<br>Thomas F. Benadum, President<br>2945 Donnyland Blvd<br>Columbus, OH 43220<br>614-766-0037, 800-621-1429                                                     | 100%                   | 0%                    | 10                       | 1,200              | 18                                               | 2,000              | 111                         | Not<br>Provided    | ENC                              | Not<br>Provided     | \$25.95-27.95              | \$5.00          |
| 42           | 44           | Skyline Inns<br>David Hoffman<br>Vice President Development<br>38119 Stevens Blvd.<br>Willoughby, OH 44094<br>216-953-0500, 800-321-6336                                          | 100%                   | 0%                    | 14                       | 1,600              | 15                                               | 1,800              | 118                         | 70-75%             | MA, USA,<br>SA, ENC              | \$35-40             | \$33.00-48.00              | \$4.00          |

Top 50 U.S. Economy  
Limited-Service  
Lodging Chains

| Rank<br>1986 1987 | Chain Name/<br>Headquarters<br>Location | Ownership<br>Structure                                                                                                              |                       | As of<br>January 1, 1987 |                    | Expected<br>to be opened by<br>December 31, 1987 |                    | Estimated 1986<br>Annual    |                    |                                  | Geographic<br>Areas | Published Room Rate Ranges |               |                |
|-------------------|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------------|--------------------|--------------------------------------------------|--------------------|-----------------------------|--------------------|----------------------------------|---------------------|----------------------------|---------------|----------------|
|                   |                                         | Percent<br>Company                                                                                                                  | Percent<br>Franchised | Number of<br>Properties  | Number<br>of Rooms | Number of<br>Properties                          | Number<br>of Rooms | Average<br>Property<br>Size | Occupancy<br>Range | Average<br>Daily<br>Room<br>Rate |                     | Single                     | X Person      |                |
| 40                | 40                                      | Travel Host<br>H. R. Bell, Bell Director<br>P.O. Box 600<br>Gadsdenville, TN 37072<br>800-346-4974                                  | 0%                    | 100%                     | 22                 | 1,100                                            | 25                 | 1,400                       | 55                 | 63-88%                           | \$25-30             | ENC, WNC                   | \$20.95-26.95 | \$4.00         |
| 41                | 41                                      | McIntosh Motor Inns<br>John S. Middleton, President<br>440 Fennell Drive<br>King of Prussia, PA 19406<br>215-279-6000               | 100%                  | 0%                       | 9                  | 1,100                                            | 9                  | 1,100                       | 122                | Not<br>Provided                  | Not<br>Provided     | MA                         | \$26.95-33.95 | \$6.00 to 7.00 |
| 42                | 42                                      | Roadstar Inns<br>Dick Beach, Owner<br>20715 W. Beltline Hwy<br>Madison, WI 53713<br>608-273-9800                                    | 100%                  | 0%                       | 12                 | 1,088                                            | 12                 | 1,000                       | 83                 | Not<br>Provided                  | Not<br>Provided     | ENC, WNC                   | \$23.00-33.00 | \$4.00         |
| 43                | 43                                      | Leas Corp. of America<br>Lester L. Lee, President<br>710 North State Street<br>North Benson, IN 47056<br>812-348-5072, 800-622-9700 | 100%                  | 0%                       | 7                  | 500                                              | 55                 | 900                         | 60                 | 77-82%                           | \$37-42             | ENC                        | \$36.00-44.00 | \$5.00         |
| 44                | 44                                      | Prime Rate Motels<br>Marilyn Jentak, Vice President<br>300 W. 5th, German<br>St. Cloud, MN 56302<br>612-321-8761, 800-386-8004      | 50%                   | 50%                      | 9                  | 100                                              | 61                 | 800                         | 80                 | 55-65%                           | \$30-35             | WNC, NW                    | \$25.00       | \$5.00         |
| 45                | 45                                      | Shelton Inns<br>John B. Wimbush, President<br>4700 Hwy 1903<br>Fargo, ND 58103<br>701-281-0730, 800-641-1000                        | 100%                  | 0%                       | 10                 | 750                                              | 5                  | 100                         | 104                | Not<br>Provided                  | Not<br>Provided     | WNC                        | \$23.00-30.00 | \$4.00         |
|                   |                                         |                                                                                                                                     |                       | 4,448                    | 432,800            | 5,413                                            | 527,900            | 97                          |                    |                                  |                     |                            |               |                |

| Geographic Areas Legend |                        |                          |                            |
|-------------------------|------------------------|--------------------------|----------------------------|
| Region                  | States                 | Region                   | States                     |
| North Atlantic (NA)     | ME, NH, VT, MA, CT, RI | East North Central (ENC) | IL, IN, OH, MI, WI         |
| Mid Atlantic (MA)       | NY, NJ, PA             | East South Central (ESC) | AL, KY, MS, TN             |
| Upper Midwest (UM)      | MD, DE, WV, VA         | West North Central (WNC) | IA, KS, MN, MO, NE, ND, SD |
| South Atlantic (SA)     | FL, GA, SC, NC         | West South Central (WSC) | TX, LA, OK, TX             |

Rankings by number of rooms. Room rates rounded to nearest dollar. Source: Lodging & Motorway Survey

Chart 1  
Year-to-Date Trend Report  
(As of March 1987)

|                       | Sales<br>Percent Change |            |             | Occupancy<br>Percent |            | Double<br>Occupancy<br>Percent |            | Room Sales Per<br>Occupied Room |            | Total Sales Per<br>Occupied Room |            |
|-----------------------|-------------------------|------------|-------------|----------------------|------------|--------------------------------|------------|---------------------------------|------------|----------------------------------|------------|
|                       | Total                   | Rooms      | Other       | MARCH                | % Chg      | MARCH                          | % Chg      | MARCH                           | % Chg      | MARCH                            | % Chg      |
| <b>Total</b>          | <b>9.4</b>              | <b>9.1</b> | <b>13.3</b> | <b>60.9</b>          | <b>1.3</b> | <b>74.6</b>                    | <b>5.6</b> | <b>\$32.23</b>                  | <b>3.2</b> | <b>\$33.43</b>                   | <b>3.5</b> |
| <b>Census Region:</b> |                         |            |             |                      |            |                                |            |                                 |            |                                  |            |
| Northeast             | 13.9                    | 13.9       | *           | 61.8                 | (0.2)      | *                              | *          | \$56.82                         | 15.5       | \$56.82                          | 15.5       |
| North Central         | 2.6                     | 2.0        | (3.8)       | 54.5                 | 0.2        | 39.7                           | 0.5        | 26.99                           | 1.8        | 27.81                            | 2.3        |
| South                 | 9.7                     | 9.2        | 15.0        | 68.4                 | 3.2        | 106.6                          | 7.0        | 34.21                           | 4.3        | 36.78                            | 4.8        |
| West                  | 14.0                    | 13.9       | 25.6        | 59.7                 | 0.3        | 59.5                           | (11.7)     | 29.38                           | (1.3)      | 29.55                            | (1.2)      |
| <b>Occupancy:</b>     |                         |            |             |                      |            |                                |            |                                 |            |                                  |            |
| Under 41.8%           | (4.6)                   | (5.0)      | 4.6         | 31.8                 | (9.1)      | 64.7                           | (21.6)     | \$25.01                         | 2.0        | \$25.48                          | 2.5        |
| 41.8 to 54.8%         | 1.4                     | 1.0        | (5.9)       | 49.0                 | (5.6)      | 45.0                           | 1.8        | 30.51                           | 1.6        | 31.65                            | 2.0        |
| 54.9 to 71.6%         | 4.7                     | 4.1        | 27.3        | 62.1                 | 0.8        | 55.6                           | 15.6       | 31.15                           | 2.2        | 32.07                            | 2.8        |
| Over 71.6%            | 17.9                    | 18.1       | 16.0        | 85.7                 | 6.2        | 97.0                           | 6.2        | 35.15                           | 3.0        | 36.67                            | 2.9        |
| <b>Room Rate:</b>     |                         |            |             |                      |            |                                |            |                                 |            |                                  |            |
| Under \$24.10         | 5.2                     | 4.1        | (6.0)       | 49.6                 | 5.5        | 67.3                           | (22.3)     | \$21.49                         | (6.0)      | \$22.17                          | (4.9)      |
| \$24.10 to \$26.71    | 11.8                    | 11.6       | 15.9        | 53.2                 | (1.7)      | 57.4                           | (8.9)      | 25.41                           | 1.6        | 25.59                            | 1.7        |
| \$26.72 to \$31.28    | 9.3                     | 8.8        | 43.3        | 62.2                 | 3.0        | 66.1                           | 12.6       | 28.60                           | 5.7        | 29.70                            | 6.1        |
| Over \$31.28          | 9.6                     | 9.5        | 7.4         | 71.3                 | 0.6        | 83.0                           | 8.8        | 41.99                           | 5.7        | 43.94                            | 5.8        |
| <b>Size:</b>          |                         |            |             |                      |            |                                |            |                                 |            |                                  |            |
| Under 150 Rooms       | 3.7                     | 3.4        | 22.6        | 57.6                 | †          | 54.5                           | 4.6        | \$28.74                         | 1.7        | \$29.22                          | 2.0        |
| 150-299 Rooms         | 18.6                    | 19.2       | †           | 70.3                 | 0.7        | 108.5                          | 2.6        | 34.17                           | 1.8        | 36.36                            | 1.3        |
| 300-600 Rooms         | *                       | *          | *           | *                    | *          | *                              | *          | *                               | *          | *                                | *          |
| Over 600 Rooms        | *                       | *          | *           | *                    | *          | *                              | *          | *                               | *          | *                                | *          |

\*Insufficient Response  
†No Change

## OPPORTUNITIES FOR GROWTH

by A. Dennis Fitzgerald  
Vice President, Imperial Inns  
Chairman, Economy Lodging Council,  
AHEMA

I think it is worthwhile to reflect on a statement made in last year's *U.S. Economy/Limited-Service Lodging Industry* report:

"The economy/limited-service lodging industry has been following a basic unalterable fact of business: Success creates envy, envy fuels emulation, and emulation breeds excess."

Those of us in business would probably agree that this statement is correct, yet I think that we should view the economy lodging industry today in a different light. There are tremendous opportunities in the marketplace to cater to the economy-minded traveling public that, in turn, will give the enterprising developer an opportunity for success and profits. It is easy to project overbuilding of rooms and an uneasiness from the general economic conditions of today, but for the entrepreneur who is willing to take new ideas and meet the challenges of the times, opportunities will always be present.

Over the past 10 years the economy segment of the hospitality industry has gone from no-frills accommodations to rooms with varying degrees of amenities to all-suite facilities. It is anticipated that in the immediate future, improvements will be made with further refinements to satisfy the market niche that is being sought. Further competition could be forthcoming from smaller facilities with less than 20 rooms that would operate as bed-and-breakfast or small country inns. We should look to the future as having unlimited opportunities to make a profit in serving the traveling public.

The areas for expansion beyond the continental limits of the United

States are enormous. Conversely, hotel companies, principally from Canada and Europe, are gaining a foothold by developing locations in the United States. Brand identification is expected to have significant bearing on the choices made by the international traveler. As air fares become more economical and travel time decreases, we cannot overlook the foreign market for development, potential visitors to our country and as guests in our properties.

Perhaps one of the most significant changes that has transpired over the past 10 years has been in the area of marketing. It is no longer realistic to think that a property can be developed alongside a highway and automatically be successful in accommodating transient tourists. Today, a significant amount of money is spent on marketing to develop business before the customer leaves the confines of his local community. Travel



patterns are changing whereby more people are taking mini-weekend vacations that may involve fly-and-drive arrangements. Operators must be knowledgeable of special programs marketed toward senior citizens, frequent business travelers and the tour market. It is conceivable that new marketing programs will be developed with the airline industry, whereby exceedingly low room rates would be offered if both reservation and payment were made 30 days in advance.

It is also expected that there will be greater use of personal computers that would afford guests the opportunity to make reservations from their homes through a data bank network. The utilization of data bank information would provide guests with a multiple choice of accommodations at a specific destination as well as greater rate comparison to assist in selecting their final decision.

In today's business world more aspects of our daily lives are controlled and directed by decisions made by government jurisdictions: consider the implications of legislation on minimum wage; the requirements on hiring new employees or the prospect of mandatory health insurance for all employees; the restricted use of certain chemicals, or the amount of taxes on payroll, sales, property and income. It is extremely important that individually we have freedom and right to make decisions affecting our business but, conversely we must act and join together to protect these rights. Membership in respective state

hotel/motel associations and, in turn, the American Hotel and Motel Association (AH&MA) becomes extremely important. Through the AH&MA, operators are kept informed of legislation that would affect them and, in turn, are asked to participate in grass

roots efforts of notifying legislatures on the positions that should be taken on various issues.

It is also important to be aware of the educational opportunities and programs carried out through the AH&MA. Admittedly, many chains have their own training programs, yet there is no one company training manual that answers all questions. Specific training programs for the front office, housekeeping personnel or overall management are already available to help improve the efficiency of operations and employees. Take advantage of these opportunities and join your state Hotel/Motel Association.

We are in a very dynamic industry and I genuinely feel that the economy/limited-service segment of the industry is leading the way toward the future in development, marketing, technology and satisfying the needs of the traveling public. With the support of the AH&MA we can continue this leadership position. Bring on tomorrow!



*The first inn  
built in the  
original  
American  
colonies was the  
Jamestown Inn  
in Virginia,  
established  
1607.*

## PROJECTIONS FOR THE ECONOMY LODGING INDUSTRY

by Robert C. Hazard Jr.  
*President, Chief Executive Officer*  
*Quality International*

The economy/limited-service sector of the lodging industry continues its steady growth. It will continue to do so in the decade ahead, particularly in subsegments that promise attractive profit potential.

The first and most obvious reason for bullishness in the economy sector is the impact of tax reform, that has dampened development at the high end of the market but heightened interest in luxury-budget and all-suite limited-service properties. With lower construction, labor and other operating costs, and an ability to generate profits within the first year of operation, limited-service hotels are increasingly attractive to lenders and investors, particularly when they are supported by pro-

ductive reservation and marketing systems capable of generating additional profit-producing occupancies.

Despite obsessive lender fears of overbuilding, the economy segment as a whole will grow at a bullish 20 percent in 1987. The secret to sustained growth will be the lender's ability to distinguish between products which make money and those that do not in the economy/limited-service segment.

### Continued segmentation

Despite any outcry over potential customer confusion, segmentation will continue in the economy/limited-service segment. Why? Because in an intensely competitive marketplace every hotel owner is scrambling for their own unique niche—a strategy to attract guests away from competition. Today's economy/limited-service market will subdivide into upscale economy (Courtyard, Quality Benchmark); all-suites (Quality Suites, Comfort Suites); luxury budget (Comfort Inns, Hampton Inns, Budgetel) and hard-budget properties (Motel 6, EconoLodge, Red Roof or Super 8). The economy market is expected to segment even further before the end of the decade.

### Economy all-suites

All-suites are the most profitable segment of the lodging industry because they offer high occupancies, command premium rates and provide guests with a perceived price-value advantage over the traditional "two beds in a box." Limited-service, rate-sensitive, all-suite hotels like Quality Suites and Comfort Suites, which offer expanded guest rooms at an economy price, are the hottest item in today's marketplace.

### Demand growth

The consumer's demand for value—high quality at an affordable price—continues to rise exponentially as the hotel guest is confronted with a wider variety of options from which to choose. Nowhere will demand growth be more evident than among corporate travelers seeking low-cost, high-quality accommodations in the economy/limited-service segment. Reportedly, 40 to 45 percent of all U.S. companies now set specific limits on corporate travel expenditures. An increasing number of companies will dictate the hotels from which employees may choose. Given new restrictions on deductions for business travel and an increasing tendency to negotiate corporate rates, corporate controllers will be shopping in the limited-service segment, giving those chains with size and sophisticated reservations systems a distinct competitive advantage.

### Newer is nicer

Overbuilding is yesterday's news. There is still plenty of room in today's market for a fresh, new, value-priced product. More than 375,000 tired guest rooms face obsolescence, opening the way for newer, more affordable competition even in so-called overbuilt

markets. Equally important, there is enough new product out there already to create a price/value tilt in favor of choosing new over old. Even tax reform—with the loss of real estate's privileged position as the most favored investment—will not reverse this trend.

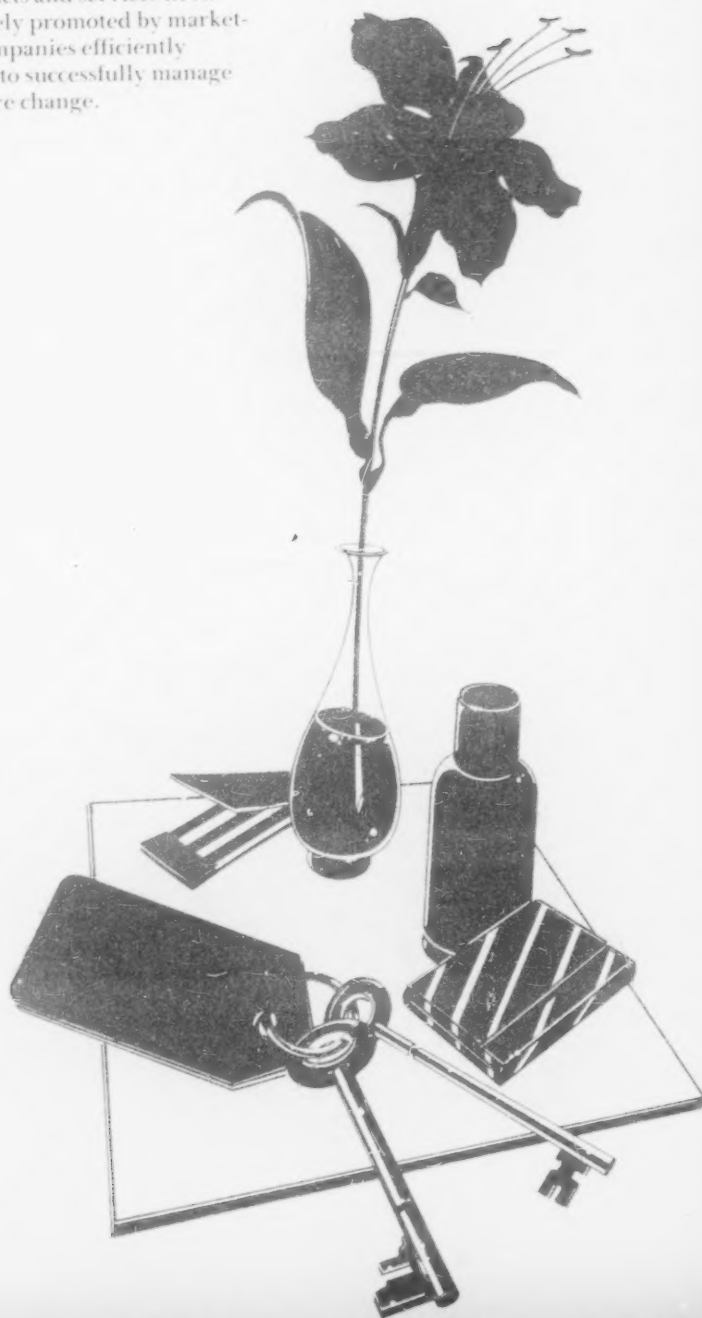
### Bigger is better

It sounds almost unAmerican to promote bigness, but the next decade will be an era of larger affiliations and marketing associations. This is because greater size means more marketing clout, more advertising dollars, better reservations systems, global reach and more appeal to professional travel planners and wholesalers. While the new product boom of the past seven years has spawned scores of small, regional chains and independents, the coming years will see a series of mergers and acquisitions. Look for regional chains to go national and national chains to go international, as global lodging networks become the norm rather than the exception.

The results of these dramatic changes create an opportunity for a successful marriage between creative entrepreneurs, who have always produced the most innovative new products in the lodging

industry, and global marketing corporations, which can generate substantial measurable new business through worldwide reservation and marketing systems tailored to deliver millions of satisfied customers.

Good product alone won't win out; products and services need to be fiercely promoted by market-driven companies efficiently organized to successfully manage competitive change.



## INFLUENCES ON THE ECONOMY LODGING SECTOR

by John Johansson

Assistant Vice President, Real Estate  
Dillon Inns

Amid successive years of record new construction and a simultaneous rise in the number of property failures, the hotel/motel industry has undergone analysis and scrutiny from lenders, developers and the like. Articles in trade journals forecasting overbuilding and soft markets are accompanied by announcements of record expansion and grandiose goals by several companies. And, while much of this special attention is warranted, the industry remains generally healthy and continues to present selective opportunities for new development.

On the whole, one could question whether there are legitimate grounds for much of the skepticism (at times, bordering on panic) which has resulted from some soft lodging markets. Nationwide occupancy levels have decreased slightly, yet this decline is not significant upon closer inspection

of historical trends. One may wonder if the relatively large increase in the average daily rate, experienced by many markets in recent years, has altered the profitability matrix of the industry. An assumed level of return that may have required 67 percent occupancy seven or eight years ago may now require only 63 or 64 percent occupancy due to the higher rate structure.

*In 1954 the  
Federal tax law  
permits rapid  
depreciation,  
encouraging  
hotel  
construction.*

Regardless, there is no question that several lodging markets in the United States are currently overbuilt and will likely remain so until the extra supply is absorbed many years hence.

Several factors have contributed to the excessive amount of new construction:

First, while hotel development may have been limited to a relative minority at one time, today there are multiples of capable developers who have been attracted primarily by strong returns on investment. Many of these developers believe in a seemingly infinite segmentation of the lodging industry which, again, perpetuates

supply. Ironically, additional amenities or services, which provide and unfounded basis for a new 'niche,' are most probably unnoticed by the customer, who would therefore make little if any distinction between comparative properties. It is our experience, and it is evident in the market, that, as a group, hotel developers/operators are prone to overestimate the average customer's level of perception.

Another factor to consider is that, under the previous tax code, hotels with little or negative cash flow still had an acceptable after-tax value to selected investors. And, finally, some of the large, influential franchise companies have recently concentrated their efforts on convincing franchisees to develop more properties instead of effectively marketing themselves to the customer. This is understandable, considering the easiest way for franchisors to improve profitability is to increase the number of properties. Hasn't nearly everyone wondered at some time where the franchisors are going to put all these properties they are planning?

The pace of new development may slow as a result of difficulty in obtaining long-term financing

on many proposed projects. Also, the new passive income/loss rules should curtail development of questionable projects, and tax reform may provide the impetus for new investment structures. We expect to see more 'package' offerings, combining an established property generating passive income with a proposed project generating passive losses. This structure not only provides new development capital, but lends some diversification to the investment as well.

Despite overbuilding in several markets, there still remains opportunity for expansion and improvement in the hospitality industry. As a large number of hotel developers are still seeking expansion, it is safe to assume that where there are adequate sites available the market is 'self-correcting.' That is, when the performance in an area improves to an occupancy of at least the upper 60 percent, it will attract enough new development to 'correct' the market back to the low- to mid-60 percent occupancy range. (Take it from experience!)

Furthermore, lack of discretion can lead to excessive development which results in even lower occupancy levels. As such, one of the criterion for new development should be a limited supply of adequate sites—limited by high land prices or simply a lack of available ground. In effect, selecting a market like this would inherently control additional future supply.

Equally attractive is a market in which obtaining proper zoning is difficult due to a perceived controversial nature by a growing number of municipal planning and zoning bodies. Again, the effect is to provide a natural barrier which will serve to control future supply. Most surely, of the properties we are currently developing, we expect the best performances from those which proved the most difficult to purchase and acquire zoning approval.

Other good opportunities exist in well-established markets of average performance comprised of older, 'tired' properties, affording what one industry analyst called 'vulnerable supply.' Many times, under these conditions, a new, modern facility will attract a disproportionately large market share, if only for its novelty. However, new developments of this sort require very careful analysis, with special attention given to the stability of the average daily rate.

Occupancy, though important, should not be the only determinant in assessing the feasibility of a new development. It could be argued that the achievable room rate is equally, if not more, important than occupancy. The emphasis should be on potential revenue opposed to just occupancy. Most industry executives would agree that their most profitable ventures are those which have the highest

rates, because an increasing share of each incremental dollar of room rate flows through to net operating income.

Like many owner/operators, we dedicate a seemingly larger proportion of time and resources each year to improve the training of employees and enforce standard procedures at the property level. If marketing materials were reviewed today, too much emphasis would be found on the physical product and less on the quality of hospitality and service. Like most companies, our primary customer is the corporate/business traveler who tends to visit the same markets on a regular basis. These regular travelers are highly influenced by a friendly reception and consistent service, and can readily become the basis for a successful property even if located on a moderate or secondary site. Likewise, a primary site is of no additional value to the regular traveler if the product and/or service is lacking.

Even in light of the present overbuilding, the industry has generally served the public well by providing an unprecedented selection of modern, comfortable facilities at nearly every price structure. For the developer, the return on a well performing hotel/motel continues to outpace the return on most other modes of real estate investment. Assuming only the economically feasible properties are constructed and some form of controlled growth program is practiced, it is likely that the appealing returns of the past will continue well into the future.



## THE FUTURE OF ECONOMY LODGING

by Loren Steele  
President  
Super 8 Motels, Inc.

In the years ahead, it is likely that the lodging industry will remember 1987 as the year that economy hotels and motels came of age. After years as the lodging industry's fast-growing upstart, the economy segment has become a serious contender in all client markets and throughout the United States. This maturation promises new development and increased profitability, but it also requires a shift to more sophisticated business practices; those who are unwilling or unable to move with the industry may find it difficult to survive in the coming years.

Last year was important because it marked an end to the regionalism that has hindered economy lodging. Early on, the limited-service chains tended to be clustered in a single geographic area, which curtailed both name recognition and inn-to-inn sales. That changed in 1987; Super 8 announced development in all 50 states and Comfort Inns and Economy Lodges were close behind.

This suggested a bright future as economy chains achieve national status and become appealing to new clients which, in turn, leads to further development. Business travelers in particular have been turning to limited-service lodging, drawn by attractive room rates (still usually 20 to 50 percent below full-service rates) and to the new convenience of making all travel arrangements with a single chain. Corporate and government accounts are also booming.

Room rates and coast-to-coast convenience are also bringing travel agents and group vendors to economy lodging. This trend is likely to continue, especially as chains target these groups with advertising, promotions and special toll-free phone numbers.

Broader clientele will surely breed additional changes. In the past, a prime location was usually on or near a busy highway, but as economy inns pursue corporate, government and group markets, new development will shift to accommodating these clients. In the future, economy motels may be located in suburban office parks and the business districts of major cities.

New clients, however, bring new demands. The economy lodging industry will feel pressured to upgrade its image. This change is already underway, as more attention is paid to landscaping, lobbies and other amenities. At the same time, the chains will have to adapt more formal procedures for enforcing quality and personnel guidelines.

Economy chains are faced with additional challenges in the next few years. After building their success on helping the American traveler stay within his budget,

limited-service hotels and motels will have to start watching their own costs. Rising property values, construction expenses and hourly wages have forced managers to effect tighter controls on purchases and employee practices. New technology will also be enlisted in the fight to improve operations. Already, advanced computer communications are improving reservations systems and computer-aided design systems have slashed the time and expense of building new properties.

The need to control spending, however, is minor compared with the growth that can be expected in the near future. And that expansion will not be limited to the United States. Europe and Canada present enticing opportunities. Several American-based chains already have properties outside the United States and others are preparing international development strategies. With those frontiers just opening, it appears likely that—for the foreseeable future—economy inns will continue to be the most rapidly expanding segment of the lodging industry.

## SUCCESSFUL STRATEGIES FOR THE ECONOMY LODGING SEGMENT

  
*by Joseph W. McCarthy*  
*President, Chief Executive Officer*  
*Motel 6*

Those who are expert followers of the lodging industry have been stating that the economy and all-suite products are the fastest-growing segments of the industry. We agree. Our plans call for growth at a fast pace in the next few years, not only through new units built by the company as in the past, but through the acquisition of existing motels which fit our architectural and demographic needs.

Our success in growing by acquisition, which we first began in late 1986, is very encouraging. We see this as a very desirable method of expansion as we are not adding to the economy lodging supply already present in the market.

Observing the growth of other companies in the economy segment, we are encouraged that much of that growth is due to *flag-swapping* or conversions of smaller brand names and independents into national lodging companies. We are not endorsing the concept that bigger is necessarily better, but rather recognizing that new combinations and affiliations are accounting for some of the expansion among competing brands.

We are pleased that some economy/limited-service companies have adopted strategies to appeal to more expensive rungs on the lodging ladder. We hope these changes will serve them well. We know their shift will serve us well, as our position, aimed exclusively at the lower end of the economy spectrum, becomes more focused on a national level.

In addition, we continue to feel our interests are best served through ownership and operational control of all our properties. Franchising can be very appealing, particularly when one measures return on assets invested, but our company remains very bullish on the real estate side of our industry and will continue to follow that strategy.

Control over marketing programs and merchandising techniques are critical to our operations as is consistency of product through control in design and FF&E. While many of our competitors do a very good job in persuading franchisees and asset owners to adopt programs and employ quality control, our sales message relies completely on consistent low price and assured clean rooms. We could no more lose control of these elements than to not police our name or trademark.

So far, 1987 is, and we hope will continue to be, a very strong year for us. While overall industry occupancies are flat or up only moderately, we are experiencing a record year in revenues, rooms sold and net profit.

The future looks very bright. The new tax law promises to reduce some of the development the industry has seen in the past few

years. Since our company has never been tax-shelter dependent in our expansion goals, the new law will not impact us directly. Supply and demand should be in better balance and that should be positive for everyone.

External matters present certain concerns as we view the future. Stability in the Middle East may never be within reach and thus the threat of oil shortages will always be a problem which we can do little about. The economy segment of the industry would probably fare better than most in dealing with gasoline price increases since lower lodging cost may be a better alternative to less travel if gas prices rise.

  
*The American  
Hotel Association  
was formed  
in 1910.*

The minimum wage deliberations are undoubtedly a real issue to be confronted at least by 1988. Wages are our major cost item and, if government mandates a rise, it will inevitably impact our prices to the traveler.

Hopefully we can respond to the need for growth without adding more layers of lodging types and complicating travelers' choices. Our basic charge is to provide a fair return to owners and investors and the best way to accomplish this is to better serve the guests' needs.

We feel the economy lodging industry is healthy and growing and Motel 6 is excited to be at the leading edge of that growth.

# THE U.S. ECONOMY/ LIMITED- SERVICE LODGING INDUSTRY

by Jamie B. Mandell  
Research Division  
Laventhol & Horwath  
Executive Offices

The 1987 U.S. Economy/Limited-Service Lodging Industry is Laventhol & Horwath's seventh annual in-depth analysis of this industry. As the economy/limited-service segment is noted as one of the fastest-growing segments in the lodging industry, it becomes necessary to develop guidelines on which to base its future success and development. Since the origin of L&H's industry reports, they have become recognized as one of the most distinguished sources of lodging information available today.

The following series of reports provide a statistical analysis of the industry's operating characteristics for the preceding year, and is useful in analyzing trends in revenue and expenses over successive time periods. The ratios and amounts reported may be used for comparing operating results for a specific establishment versus those properties with operating characteristics similar in nature. These operating results should not be assumed as standards for any category, but

rather as a statistical base for comparative purposes only. They are not an attempt by L&H to set or conform prices or operating ratios for the economy/limited-service lodging industry.

Just as last year's questionnaire was broadened by adding the section on technological characteristics and property automation, this year's version inquired about the availability of telecommunications in limited-service properties. Any information which deals in the advancement in technology for this segment of the industry becomes increasingly important to lodging operators as competition increases throughout the lodging industry. These results are presented graphically throughout this report.

All data and information in this report is based upon a representative sample of economy/limited-service lodging properties throughout the United States, where total revenues exceeded \$184 million in 1986. To report the data, operating results are presented as medians, means and, occasionally, the upper and lower quartiles. Medians, which are the middle value of all responses when arranged sequentially, are used to alleviate any distortion a few extreme responses may cause. Realizing that not all properties provide information on each line item, results have been analyzed individually and are based only on those establishments supplying data. For a full explanation of medians and quartiles, refer to *Understanding Medians* on page 60.

All terminology and account titles are derived from the *Uniform System of Accounts for Small Hotels and Motels*, published by the American Hotel & Motel Association (AH&MA).

## 1986 Operating Results

It is important to first paint a clear picture of the *typical* contributing property in this year's study before an analysis is presented. For the most part, this lodging facility would contain less than 75 rooms with an average room rate ranging from \$28 to \$31.99. Additionally, its yearly occupancy rate would fluctuate between 60 to 69 percent. Traditionally, economy/limited-service properties have no restaurant operations and for this reason are usually built in locations near eating establishments. In addition, many limited-service properties provide a complimentary breakfast (usually continental style) which, due to standard accounting practices, are not analyzed in this report. There is, however, a new trend in building these properties whereby restaurants are built directly attached to the establish-

Cornell University offered the first degree-course in hotel administration in 1922.

ment, but are owned and operated totally independent from the limited-service property.

In 1986, 96.1 percent of each dollar earned was generated through guest room rentals—a 1.6 percent increase from the previous year. Minor-operated departments and rentals and other income, which accounted for 3.8 percent in 1985, declined to 2.3 percent in 1986; telephone sales remained constant with the 1985 figure, representing 1.6 percent of each dollar.

Consistent with previous years, payroll and related expenses drained the largest portion of each dollar—22.4 percent, a 1.8 percent increase over 1985. Interest expense, which accounted for 16.5 percent of each dollar last year, dropped substantially to 9.4 percent for 1986. A noted increase was allotted for marketing, as this amount climbed to 5.2 percent in 1986, more than double the allotment from the previous year.

Compared with the previous year, the percentage of repeat business jumped from 40.4 percent to 54.9 percent in 1986, an increase of more than 35 percent. Much of this may be attributed to the rising quality of limited-service properties as well as the increased number of amenities offered within them. Broken down by location, center

city properties claimed the highest percentage of repeat business; one reason for this may be connected with business meetings and conventions. Many business travelers are now opting to stay in these properties based on price and proximity to their business-related location.

After the introduction of the technological characteristics/property automation section in last year's study, an increase in the awareness and interest in this area has been on the rise. In 1986, 95 percent of all participating econ-

omy/limited-service properties reported having fire detectors in each room. While computers are becoming a necessity in all areas of business, 43.2 percent of the respondents use computerized accounting systems, 37 percent utilize computerized reservation systems and 25.9 percent exercise computerized guest accounting. Such computerized systems eliminate various errors that normally may arise as well as speed up the check-in and check-out processes. More than 90 percent of the properties have call accounting systems and 39.2 percent now possess in-house private pay phones. In-room entertainment systems such as HBO, national cable and in-room movies are becoming more available in limited-service properties than in the past, keeping them competitive with full-service properties. All information on property automation is presented graphically in this report.

Total sales, income before fixed charges and net income before income taxes are key performance



measurements used to gauge the overall health of the economy/limited-service lodging industry. For the most part, contributing properties reported increases in total sales and, through efficient operating techniques, were able to convert this additional revenue into higher income before fixed charges on a per room basis. Additionally, this increase also meant higher profits, as net income before income tax showed an increase over last year's amount.

Occupancy rates are an interesting figure to evaluate when analyzing business and profitability, but can not be a sole determinant in decision making. In 1986, the median occupancy rate for the total U.S. was 66.3 percent, a 0.6 percent drop from 1985. Although this rate was slightly lower than the previous year, this does not necessarily mean that patronage has declined. As most are well aware, 1986 was a year of substantial growth in the economy/limited-service industry with an increase in the number of properties and available rooms throughout the nation. This factor had a major impact on occupancy rates throughout the industry. Properties located in the Western region of the United States showed a substantial increase in occupancies, experiencing a 73.1 percent rate in 1986 compared with 60.2 percent in 1985. However, a slight decrease in the median average room rate occurred, falling from \$29.09 in 1985 to \$29.04 in 1986. The average rate in the North Central region of the United States rose

from \$27.05 to \$28.52 in 1986. An interesting aspect to consider when evaluating occupancy and rate figures are events that may affect these statistics: major tourist attractions, political conventions and national sporting events. Taking this one step further, consider the increase in occupancy rate found in the Western region, which is greatly affected by the state of California; many major tourist attractions are located here: Disneyland, Universal Studios, the wine country and national parks, etc.

When comparing properties which reported a net profit with those reporting a net loss, a considerable difference in the occupancy rate experienced by each is clearly visible. Those properties with a net profit experienced an occupancy rate of 70.7 percent for the year, while those reporting a net loss had an occupancy rate of 49.8 percent. Important factors in the evaluation of these two classifications of properties are total sales with respect to income before fixed charges and total fixed charges. A lack in the ability of a property to control its expenses has a direct impact on its profitability. Those properties which were categorized with a net profit had total sales of \$7,970 and income before fixed charges of \$3,970; properties with a reported net loss had total sales of \$5,604 and an income before fixed charges of \$1,952—both figures considerably lower than those of the profit-making properties. Additionally, fixed charges for establishments reporting a net profit were significantly lower than those reporting a net loss with dollar amounts per room of \$1,515 and \$3,499 respectively—a 56.7 percent difference. Moreover, profit-making establishments calculated a total of 126 times the rate was earned, while those with a net loss

reported 67 times the rate was earned.

Unlike full-service properties which commonly rely on food and beverage operations to compensate sales, limited-service properties rely heavily on room sales as the primary revenue generator. Considering the size of the property, those establishments with between 100 and 125 rooms recounted 97.4 percent of total sales derived from room sales, 1.5 percent through rentals and other income and 1.1 percent from telephone revenue. The aforementioned distribution of sales is representative of what is found based on various property breakdowns with room for a few minor variations.

Although there has been no increase in the minimum wage since 1981, there has been a gradual increase in the median amount per occupied room of payroll and related expenses. Based on the 1985 figure of \$4.52, this total rose approximately 20 percent in 1986 to \$5.24 per occupied room. Establishments with an occupancy rate

of 80 percent or more experienced the lowest total rooms department expenses per occupied room along with the highest percent change when compared with the previous year. The median total number of full-time employees for all reporting properties was 14, the majority of these associated with the housekeeping department.

Analyzing undistributed operating expenses provides interesting comparisons for the various breakdowns of economy/limited-service establishments. In previous studies, the data was broken down in two manners: The first for those properties which reported payroll and the second for those which were not able to break down payroll to a specific degree of accuracy for analytical purposes. Due to the enlarged sample this year, this was no longer necessary. Properties built between 1980 and 1985 had the highest total administrative and general costs per room of \$1,019, 13.5 percent above the 1985 total. As a ratio to total sales, this represented 9.9 percent while last year it encompassed 11.3 percent. Considering all establishments, the total cost per room for marketing as a ratio to total sales increased substantially in 1986 to 5.2 percent. This fact was previously acknowledged in the breakdown of the distribution of each dollar earned. Older limited-service properties which were built before 1970 had the highest expense of property operation and maintenance with relation to total sales. Properties built between those years spent 3.9 percent of total sales in this area.

In one respect, this can be expected based on the obvious—the actual age of the property. A detailed breakdown of these figures is presented in this study for additional comparisons.

Management fees as an amount per room slightly declined in 1986 to \$374 from \$383 in 1985. However, if this amount is analyzed as a ratio to total sales it then becomes a slight increase with percentages of 5 and 4.9 respectively; this is due to the increase in the median total sales for all participating properties in 1986. Also, a decrease in total



*Thomas Cook  
began the travel  
agency business  
in England in  
1841.*

energy costs per occupied room per day was reported. Even though decreased totals were reported throughout the country's regions, the median total for all reporting establishments declined from \$2.48 in 1985 to \$2.25 in 1986. More than half of each dollar spent was due to electricity; fuel was the next highest drain on each dollar. Water bills are consistently the smallest portion of each energy dollar spent.

Just as American society allows its people to augment their lifestyles through the use of credit, this is supported by the methods of payment used for lodging costs. Properties with average room rates of \$32 and more showed the majority of payments through the method of credit cards. In addition, those establishments experiencing a sales

volume of \$1 million or more further support this fact. Economy/limited-service properties falling in the lower end of average room rates show a higher percentage of people choosing to pay with cash.

Affecting bottom line results are fixed charges encountered by all properties. This is composed of rent, property taxes, insurance, interest and depreciation and amortization. Leased equipment is itemized this year due to the increasing number of properties utilizing this financial tool. On a whole, total fixed charges declined in 1986 following a total increase across the board in 1985. Those properties with 100 rooms or more, however, described an increase in their total fixed charges, and those located in the South Central region reported a substantial decrease compared with the previous year. This data, as well as other statistical analyses, can be found throughout the exhibits presented in the latter part of this report.

The economy/limited-service segment of the lodging industry will be at a sensitive point in 1987. It has entered a stage where the supply of available rooms has exceeded its corresponding demand; after a period of strong enthusiasm and encouragement, this seemed to be inevitable. However, this segment of the industry will begin to slow its development until the economic factor of supply and demand takes effect. In addition, development will be affected by the 1986 Tax Reform Act which will give investors greater difficulty in meeting regulations and requirements, causing development to be more sensitive.

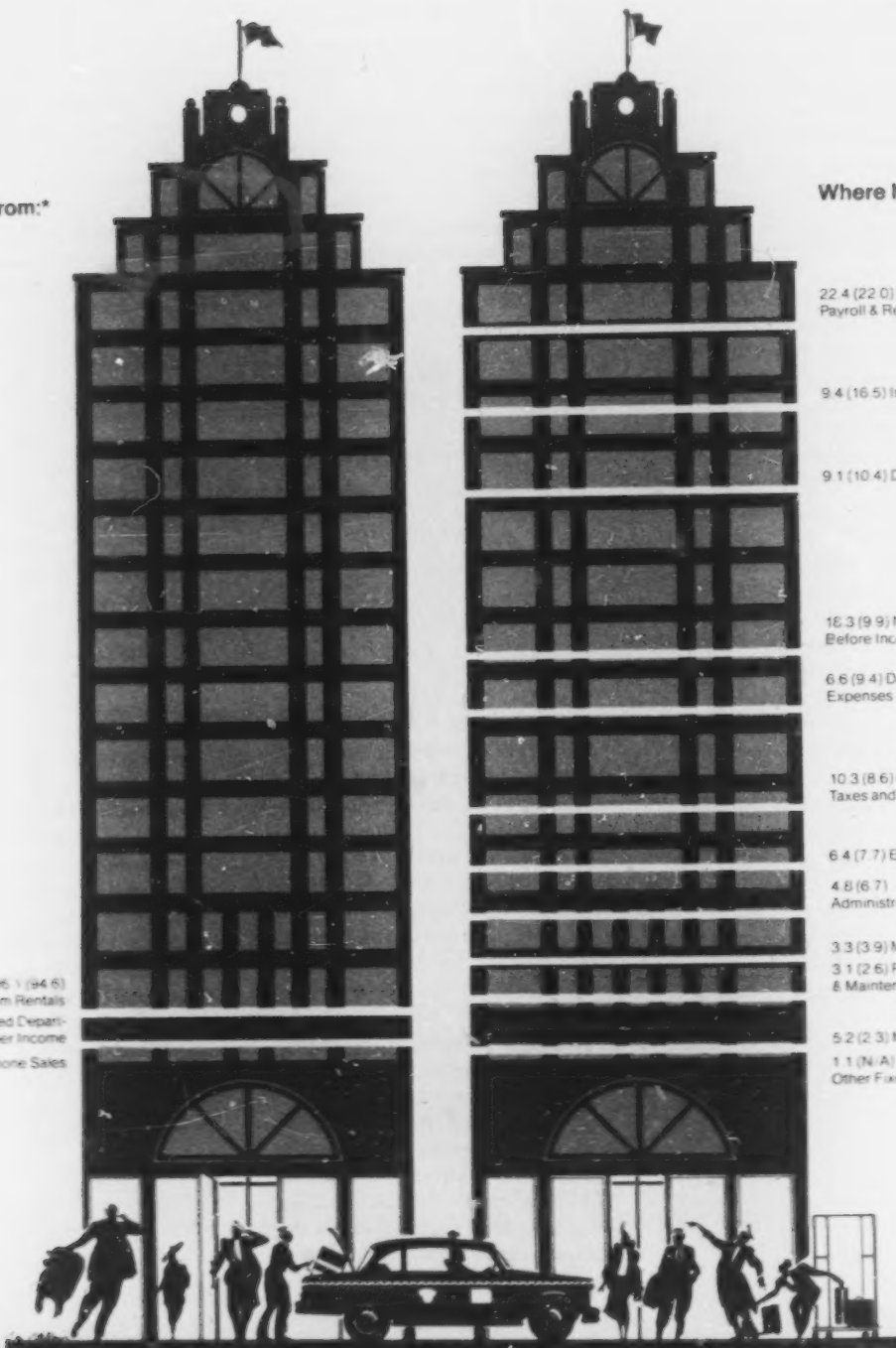
# The U.S. Economy/Limited-Service Lodging Industry Dollar 1986

## Where It Came From:\*

95.1 (94.6) Guest Room Rentals  
2.3 (3.8) Minor Operated Departments Rentals and Other Income  
1.6 (1.6) Telephone Sales

## Where It Went:\*

22.4 (22.0) Payroll & Related Expenses  
9.4 (16.5) Interest  
9.1 (10.4) Depreciation  
16.3 (9.9) Net Income Before Income Taxes  
6.6 (9.4) Departmental Expenses  
10.3 (8.6) Rent, Property Taxes and Insurance  
6.4 (7.7) Energy Costs  
4.8 (6.7) Administrative & General  
3.3 (3.9) Management Fees  
3.1 (2.6) Property Operation & Maintenance  
5.2 (2.3) Marketing  
1.1 (N/A) Leased Equipment & Other Fixed Charges



\*Based on the weighted mean 1985 percentages in parentheses.

**Exhibit I**  
**1986 Profile of Contributors**

| Age                |       | Rates               |       |
|--------------------|-------|---------------------|-------|
| Built Before 1970  | 16.8% | Under \$26.00       | 20.7% |
| 1970-1974          | 6.7   | \$26.00-\$27.99     | 22.3  |
| 1975-1979          | 7.6   | \$28.00-\$31.99     | 25.8  |
| 1980-1985          | 19.5  | \$32.00 & Over      | 31.2  |
| Not Reported       | 49.2  |                     |       |
| Location           |       | Region              |       |
| Center City        | 19.6% | East                | 19.9% |
| Suburban           | 16.0  | North Central       | 45.3  |
| Airport            | 0.8   | South Central       | 8.2   |
| Highway            | 48.8  | West                | 26.6  |
| Resort             | 3.5   |                     |       |
| Not Reported       | 11.3  |                     |       |
| Occupancy          |       | Size                |       |
| Less than 60%      | 33.2% | Under 75 Rooms      | 43.4% |
| 60-69%             | 22.3  | 75-99 Rooms         | 14.5  |
| 70-79%             | 21.1  | 100-125 Rooms       | 25.0  |
| 80% & over         | 23.4  | Over 125 Rooms      | 17.1  |
| Profit Versus Loss |       | Sales Volume        |       |
| Net Profit         | 78.1% | Under \$250,000     | 10.5% |
| Net Loss           | 18.4  | \$250,000-\$499,999 | 27.0  |
| Not Reported       | 3.5   | \$500,000-\$999,999 | 43.0  |
|                    |       | \$1,000,000 & Over  | 19.5  |

**Exhibit 2**  
**Highlights\***

|                                                   |         |
|---------------------------------------------------|---------|
| Room Occupancy                                    | 66.3%   |
| Average Room Rate                                 | \$29.04 |
| Sales Per Available Room                          | \$7,719 |
| Payroll & Related Expenses Per Available Room     | \$1,598 |
| Net Cost of Energy Per Occupied Room Per Day      | \$1.97  |
| Net Income Before Income Tax—Ratio to Total Sales | 20.8%   |

\*All figures are medians.

**Exhibit 3**  
**General Profile of Typical Contributor—Based on**  
**Various Measures of Central Tendency**

| Criteria                              |                                                                        |
|---------------------------------------|------------------------------------------------------------------------|
| Size                                  | Under 75 Rooms                                                         |
| Occupancy                             | 60-69%                                                                 |
| Average Rate                          | \$28.00-\$31.99                                                        |
| Sales Volume                          | \$250,000-\$1,000,000                                                  |
| Restaurant Operation                  | No restaurant operated                                                 |
| Other Management<br>Operation Results | Affiliated with a chain. Reported<br>income before income tax in 1986. |

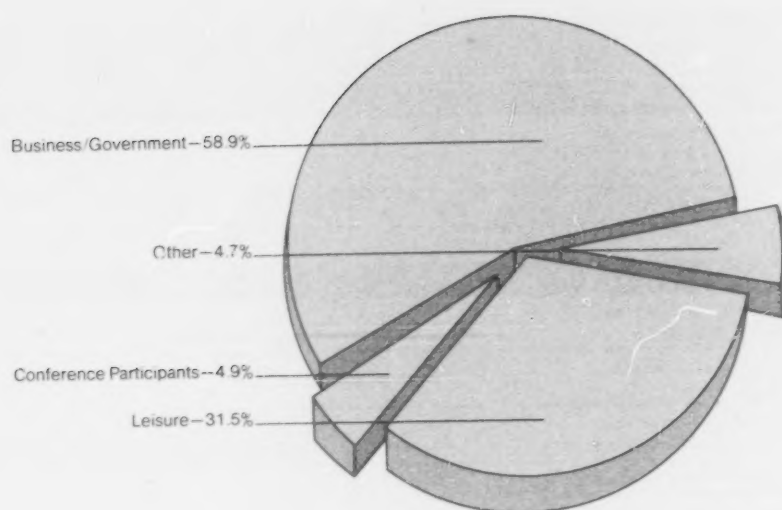
*"The Hotel  
World" trade  
magazine and  
"The Hotel  
Red Book" were  
published  
in 1834.*

Exhibit 4  
Market Data\*

|                                            | Mean, All<br>Establishments | Location of Property |               |               | Average Rate     |                     |                     |                     |
|--------------------------------------------|-----------------------------|----------------------|---------------|---------------|------------------|---------------------|---------------------|---------------------|
|                                            |                             | Center City          | Suburban      | Highway       | Under<br>\$26.00 | \$26.00-<br>\$27.99 | \$28.00-<br>\$31.99 | \$32.00<br>and Over |
| Percentage of Repeat Business              | 54.9%                       | 67.8%                | 64.7%         | 49.0%         | 50.7%            | 45.6%               | 54.8%               | 61.7%               |
| <b>Composition of Market</b>               |                             |                      |               |               |                  |                     |                     |                     |
| Business/Government                        | 58.9%                       | 37.6%                | 67.0%         | 58.1%         | 63.1%            | 59.9%               | 40.7%               | 66.8%               |
| Leisure                                    | 31.5                        | 43.7                 | 29.0          | 32.6          | 27.9             | 32.4                | 44.3                | 25.2                |
| Conference Participants                    | 4.9                         | 4.1                  | 4.7           | 5.4           | 5.0              | 5.5                 | 5.2                 | 4.4                 |
| Other                                      | 4.7                         | 14.6                 | 2.3           | 3.9           | 4.0              | 2.2                 | 9.8                 | 3.6                 |
| <b>Total</b>                               | <b>100.0%</b>               | <b>100.0%</b>        | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b>    | <b>100.0%</b>       | <b>100.0%</b>       | <b>100.0%</b>       |
| Percentage of Advance Reservations         | 44.2%                       | 33.1%                | 55.3%         | 41.7%         | 29.1%            | 37.4%               | 38.0%               | 57.8%               |
| <b>Composition of Advance Reservations</b> |                             |                      |               |               |                  |                     |                     |                     |
| Direct Inquiry or Own Reservation System   | 75.4%                       | 79.6%                | 78.5%         | 70.6%         | 99.7%            | 90.4%               | 68.8%               | 64.9%               |
| Independent Reservation System             | 3.5                         | 0.0                  | 0.7           | 7.9           | 0.0              | 0.6                 | 6.0                 | 3.5                 |
| Travel Agent or Tour Operator              | 13.5                        | 8.9                  | 14.2          | 13.5          | 0.3              | 2.0                 | 20.5                | 21.8                |
| Hotel Representative                       | 5.6                         | 11.5                 | 5.5           | 4.3           | 0.0              | 6.6                 | 4.7                 | 6.4                 |
| Transportation Company                     | 2.0                         | 0.0                  | 1.1           | 3.7           | 0.0              | 0.2                 | 0.0                 | 3.4                 |
| <b>Total</b>                               | <b>100.0%</b>               | <b>100.0%</b>        | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b>    | <b>100.0%</b>       | <b>100.0%</b>       | <b>100.0%</b>       |

\*Based on those supplying detail

Chart 2  
*Composition of Market\**  
*All Establishments*



\*Based on Arithmetic Mean

Chart 3  
*Technological Characteristics  
Property Automation*

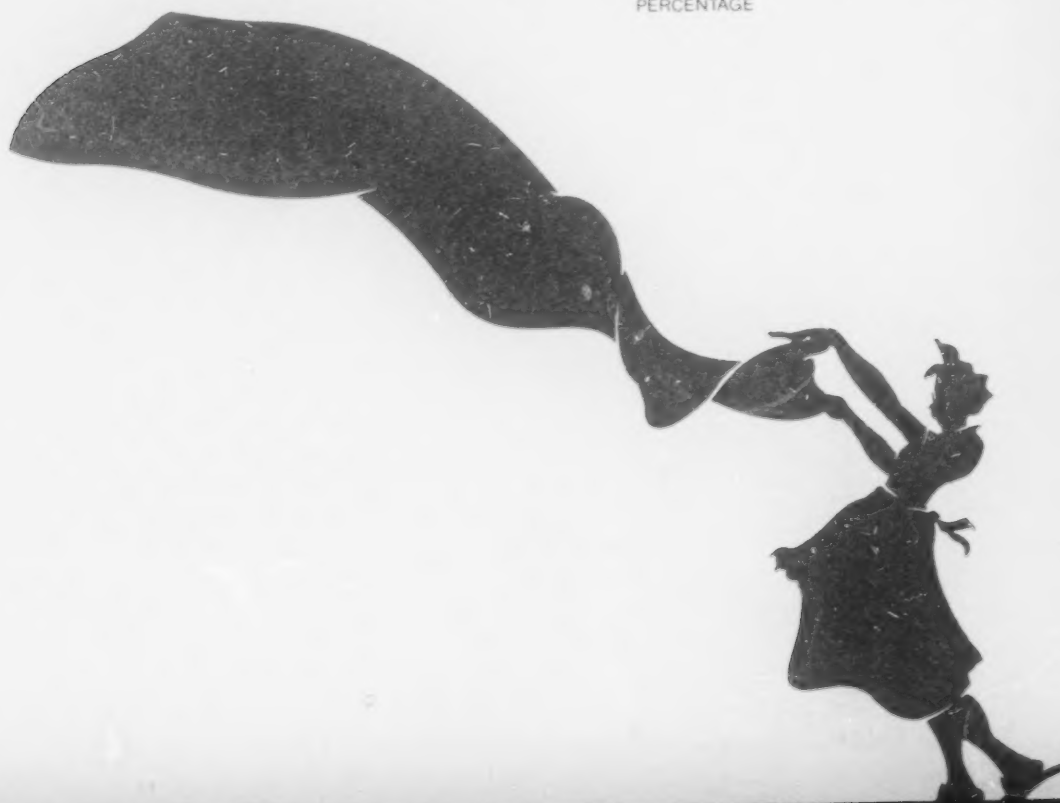
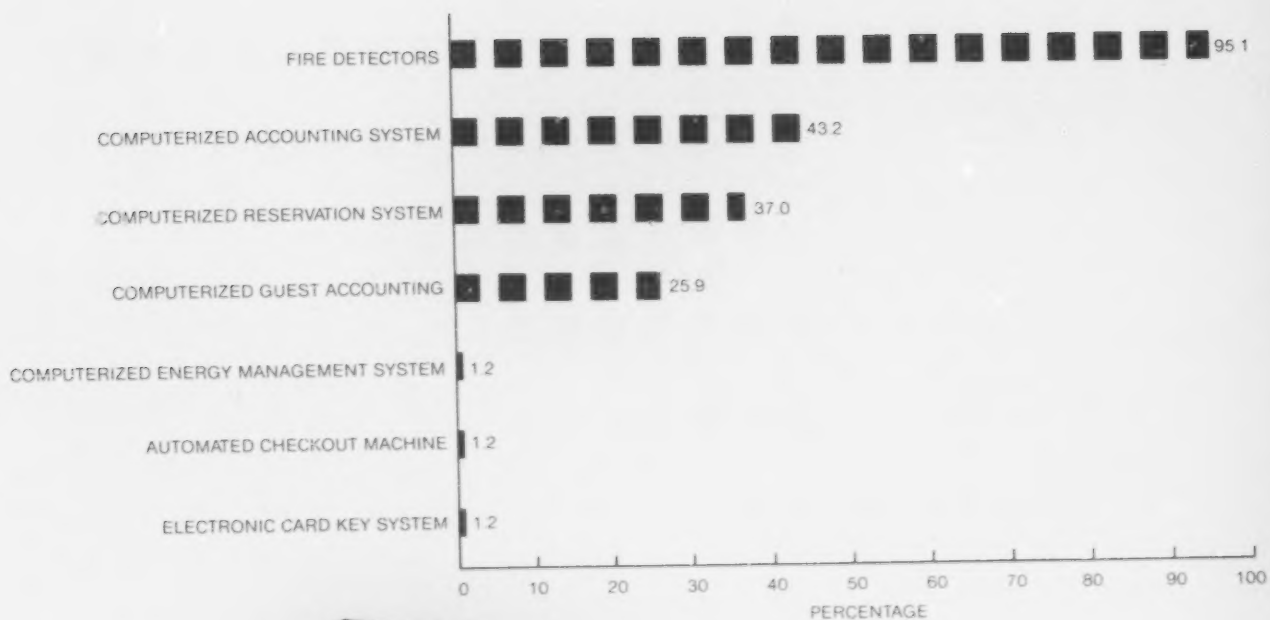


**Chart 4**  
*Technological Characteristics —  
 Telecommunications*

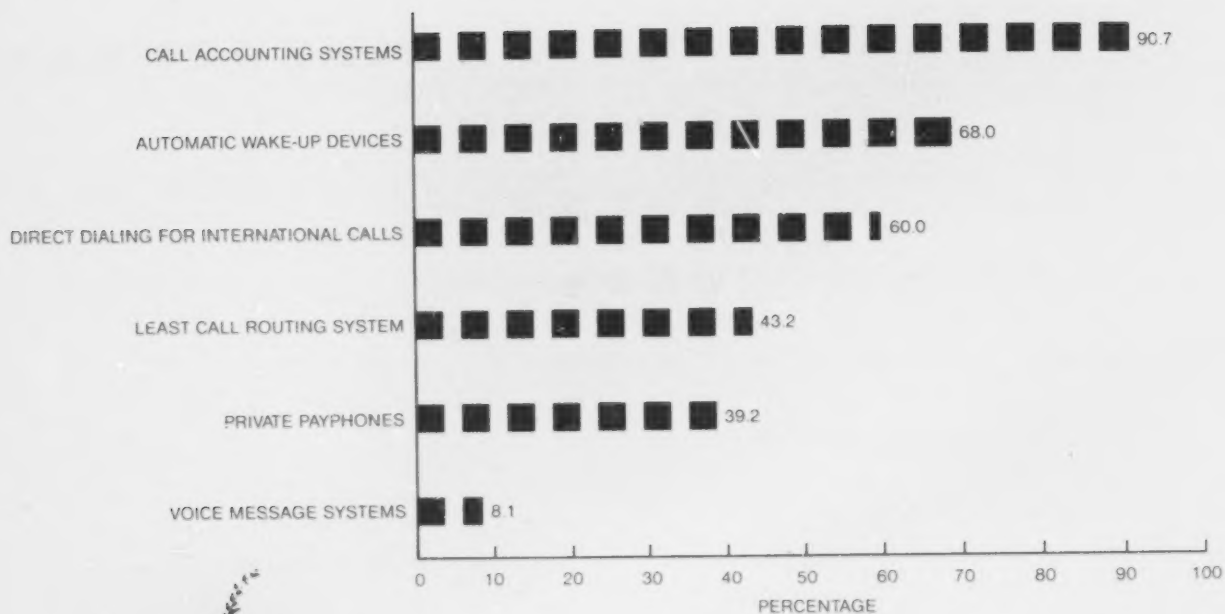
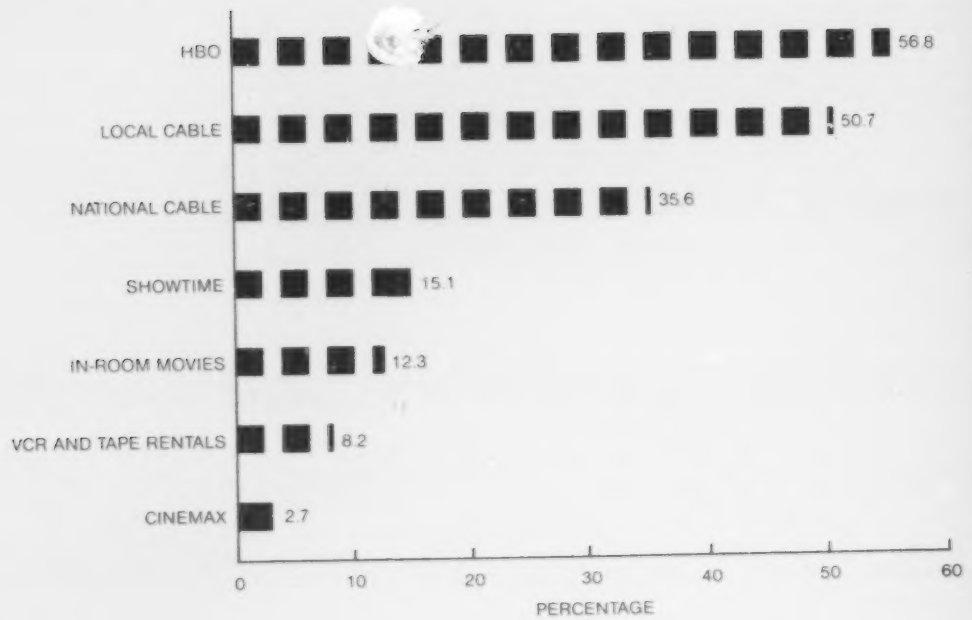


Chart 5  
*Technological Characteristics—  
In-Room Entertainment Systems*



# Exhibit 5

## Comparison of Sales and Profitability by Selected Criteria\*

|                               | Amount Per Room |                                |                                 | Ratio to Total Sales           |                                 | Number of<br>Times Average<br>Rate Was Earned |
|-------------------------------|-----------------|--------------------------------|---------------------------------|--------------------------------|---------------------------------|-----------------------------------------------|
|                               | Total<br>Sales  | Income Before<br>Fixed Charges | Net Income<br>Before Income Tax | Income Before<br>Fixed Charges | Net Income<br>Before Income Tax |                                               |
| Age                           |                 |                                |                                 |                                |                                 |                                               |
| Built Before 1970             | \$5,999         | \$2,663                        | \$ 786                          | 45.6%                          | 13.0%                           | 83                                            |
| 1970-1974                     | 9,196           | 4,374                          | 2,569                           | 51.1                           | 31.2                            | 160                                           |
| 1975-1979                     | 7,542           | 3,463                          | 1,458                           | 46.9                           | 18.2                            | 107                                           |
| 1980-1985                     | 8,063           | 4,136                          | 423                             | 46.8                           | 4.1                             | 116                                           |
| Size                          |                 |                                |                                 |                                |                                 |                                               |
| Under 75 Rooms                | \$7,541         | \$3,458                        | \$1,890                         | 46.6%                          | 24.3%                           | 119                                           |
| 75-99 Rooms                   | 7,638           | 3,377                          | 2,183                           | 45.7                           | 27.6                            | 109                                           |
| 100-125 Rooms                 | 8,012           | 3,907                          | 1,620                           | 49.1                           | 19.2                            | 126                                           |
| Over 125 Rooms                | 7,907           | 3,260                          | 3,283                           | 43.8                           | 3.8                             | 113                                           |
| Rate                          |                 |                                |                                 |                                |                                 |                                               |
| Under \$26.00                 | \$7,426         | \$3,776                        | \$1,363                         | 54.5%                          | 21.0%                           | 148                                           |
| \$26.00-\$27.99               | 7,214           | 3,301                          | 2,058                           | 45.3                           | 26.7                            | 122                                           |
| \$28.00-\$31.99               | 7,395           | 3,354                          | 1,896                           | 48.2                           | 25.2                            | 111                                           |
| \$32.00 & Over                | 9,246           | 4,201                          | 1,246                           | 45.4                           | 14.9                            | 111                                           |
| Occupancy                     |                 |                                |                                 |                                |                                 |                                               |
| Under 60%                     | \$5,631         | \$2,141                        | \$ 346                          | 41.8%                          | 7.9%                            | 77                                            |
| 60-69%                        | 7,638           | 3,528                          | 1,508                           | 46.6                           | 20.2                            | 112                                           |
| 70-79%                        | 8,050           | 4,021                          | 2,690                           | 49.5                           | 31.5                            | 136                                           |
| 80% & Over                    | 9,252           | 5,452                          | 2,756                           | 54.3                           | 29.9                            | 179                                           |
| Profit/Loss                   |                 |                                |                                 |                                |                                 |                                               |
| Net Profit                    | \$7,970         | \$3,790                        | \$2,156                         | 48.8%                          | 26.4%                           | 126                                           |
| Net Loss                      | 5,604           | 1,952                          | (670)                           | 34.4                           | (12.7)                          | 67                                            |
| Median,<br>All Establishments |                 |                                |                                 |                                |                                 |                                               |
|                               | \$7,719         | \$3,522                        | \$1,561                         | 46.8%                          | 20.8%                           | 118                                           |

\*All amounts are medians.

Exhibit 6  
Occupancy and Average Rate

|                                   | Percentage of Occupancy |              | Average Room Rate |                |
|-----------------------------------|-------------------------|--------------|-------------------|----------------|
|                                   | 1986                    | 1985         | 1986              | 1985           |
| <b>Age</b>                        |                         |              |                   |                |
| Built Before 1970                 | 56.4%                   | 57.5%        | \$27.75           | \$26.47        |
| 1970-1974                         | 77.2                    | 70.4         | 27.83             | 24.47          |
| 1975-1979                         | 62.7                    | 63.6         | 28.95             | 26.51          |
| 1980-1985                         | 64.0                    | 70.3         | 35.27             | 32.90          |
| <b>Size</b>                       |                         |              |                   |                |
| Under 75 Rooms                    | 69.0%                   | 63.6%        | \$28.09           | \$26.70        |
| 75-99 Rooms                       | 64.2                    | 63.7         | 28.92             | 26.90          |
| 100-125 Rooms                     | 68.1                    | 71.3         | 29.82             | 30.54          |
| Over 125 Rooms                    | 61.9                    | 68.3         | 32.22             | 34.92          |
| <b>Location</b>                   |                         |              |                   |                |
| Center City                       | 56.5%                   | 57.6%        | \$30.36           | \$29.44        |
| Suburban                          | 65.9                    | 68.5         | 36.63             | 31.35          |
| Highway                           | 69.2                    | 68.0         | 28.13             | 27.91          |
| Resort                            | 93.9                    | N/A          | 24.87             | N/A            |
| <b>Region*</b>                    |                         |              |                   |                |
| East                              | 66.0%                   | 67.5%        | \$31.49           | \$33.44        |
| North Central                     | 68.0                    | 66.7         | 28.52             | 27.05          |
| South Central                     | 50.1                    | 68.0         | 31.32             | 32.19          |
| West                              | 73.1                    | 60.2         | 27.41             | 29.28          |
| <b>Median, All Establishments</b> | <b>66.3%</b>            | <b>66.7%</b> | <b>\$29.04</b>    | <b>\$29.09</b> |

N/A—not available

\*East: CT, DE, DC, FL, GA, ME, MD, MA, NH, NJ, NY, NC, PA, RI, SC, VT, VA, WV

North Central: IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, WI

South Central: AL, AR, KY, LA, MS, OK, TN, TX

West: AK, AZ, CA, CO, HI, ID, MT, NV, NM, OR, UT, WA, WY

Exhibit 7  
Net Income Differential\*

|                                                        | Lodging Facilities<br>Reporting |             | Net Income<br>Facilities<br>Differs By |
|--------------------------------------------------------|---------------------------------|-------------|----------------------------------------|
|                                                        | Net<br>Profit                   | Net<br>Loss |                                        |
| Occupancy                                              | 70.7%                           | 48.9%       | 44.6%                                  |
| Average Rate                                           | \$28.41                         | \$31.57     | (10.0)                                 |
| Amount Per Available Room                              |                                 |             |                                        |
| Sales                                                  |                                 |             |                                        |
| Rooms                                                  | \$7,569                         | \$5,557     | 35.7%                                  |
| Telephone                                              | 161                             | 217         | (25.8)                                 |
| Minor                                                  | **                              | 47          | —                                      |
| Rentals & Other                                        | 114                             | 64          | 78.1                                   |
| Total Sales                                            | \$7,970                         | \$5,604     | 42.2                                   |
| Payroll & Related Expenses                             | \$1,614                         | \$1,421     | 13.6                                   |
| Undistributed Expenses (Excluding Payroll)             |                                 |             |                                        |
| Administrative & General                               | \$ 283                          | \$ 322      | (12.1)                                 |
| Marketing                                              | 370                             | 308         | 20.1                                   |
| Energy Costs                                           | 456                             | 485         | (6.0)                                  |
| Property Operation & Maintenance                       | 170                             | 260         | (34.6)                                 |
| Income Before Fixed Charges                            | \$3,790                         | \$1,952     | 94.2                                   |
| Fixed Charges                                          | \$1,515                         | \$3,499     | 56.7                                   |
| Net Income (Loss) Before Income Tax                    | \$2,156                         | \$ (670)    | —                                      |
| Number of Times Rate Was Earned                        | 126                             | 67          | 88.1                                   |
| Ratio of Income Before Fixed Charges to<br>Total Sales | 48.8%                           | 34.4%       | 41.9%                                  |

\*All figures are medians.

\*\*Insufficient response.

Exhibit 8  
Composition of Sales\*

|                   | Location      |               |               |               | Size of Property |               |               |                | Reporting     |               |
|-------------------|---------------|---------------|---------------|---------------|------------------|---------------|---------------|----------------|---------------|---------------|
|                   | Center City   | Suburban      | Highway       | Resort        | Under 75 Rooms   | 75-99 Rooms   | 100-125 Rooms | Over 125 Rooms | Net Profit    | Net Loss      |
| Rooms             | 98.0%         | 95.6%         | 95.6%         | 97.0%         | 95.7%            | 95.4%         | 97.4%         | 95.9%          | 96.0%         | 96.4%         |
| Telephone         | 0.7           | 2.0           | 1.7           | 1.3           | 1.5              | 1.7           | 1.1           | 1.7            | 1.4           | 1.7           |
| Minor Departments | N             | 0.1           | N             | N             | 0.0              | 0.0           | N             | 0.1            | 0.0           | 0.1           |
| Rentals & Other   | 1.3           | 2.3           | 2.7           | 1.7           | 2.8              | 2.9           | 1.5           | 2.3            | 2.6           | 1.8           |
| <b>Total</b>      | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b>    | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b>  | <b>100.0%</b> | <b>100.0%</b> |

\*Based on arithmetic mean  
N = Negligible



# Exhibit 9

## Rooms Department Expenses

### Per Occupied Room Per Day—By Occupancy\*

|                                    | Median, All Establishments | Occupancy     |               |               |               |
|------------------------------------|----------------------------|---------------|---------------|---------------|---------------|
|                                    |                            | Under 60%     | 60-69%        | 70-79%        | 80% and Over  |
| Payroll & Related Expenses         | \$5.24                     | \$5.26        | \$5.43        | \$4.89        | \$4.52        |
| Commissions & Reservation Expenses | .42                        | .42           | .30           | **            | **            |
| Cleaning, Linen & Laundry          | .25                        | .36           | .24           | .20           | .24           |
| Operating Supplies                 | .79                        | .92           | .76           | .71           | .77           |
| Other Operating Expenses           | .33                        | .41           | .35           | .29           | .24           |
| <b>Total 1986</b>                  | <b>\$6.74</b>              | <b>\$7.10</b> | <b>\$6.91</b> | <b>\$6.37</b> | <b>\$6.16</b> |
| Total—1985                         | \$6.04                     | \$6.07        | \$6.56        | \$6.47        | \$4.99        |
| % Change                           | 11.6%                      | 17.0%         | 5.3%          | (1.5)%        | 23.5%         |

\*All figures are medians and do not necessarily add to totals shown. Based on those supplying detail.

\*\*Insufficient response.



Exhibit 10

*Average Number of Full-Time Employees During the Year\**  
*— All Establishments*

|                                  | Lower<br>Quartile | Median      | Upper<br>Quartile |
|----------------------------------|-------------------|-------------|-------------------|
| <b>Rooms</b>                     |                   |             |                   |
| Front Desk                       | 4.0               | 4.0         | 5.5               |
| Housekeeping                     | 5.0               | 8.0         | 12.5              |
| Telephone                        | 2.0               | 2.5         | 3.8               |
| Minor Operated Departments       | **                | 2.0         | **                |
| Administrative & General         | 2.0               | 2.0         | 2.0               |
| <b>Marketing</b>                 |                   |             |                   |
| Sales                            | 1.0               | 1.0         | 1.0               |
| Other Marketing                  | **                | 1.0         | **                |
| Property Operation & Maintenance | 1.0               | 2.0         | 2.0               |
| Other                            | **                | 7.5         | **                |
| <b>Total</b>                     | <b>10.7</b>       | <b>14.0</b> | <b>21.0</b>       |

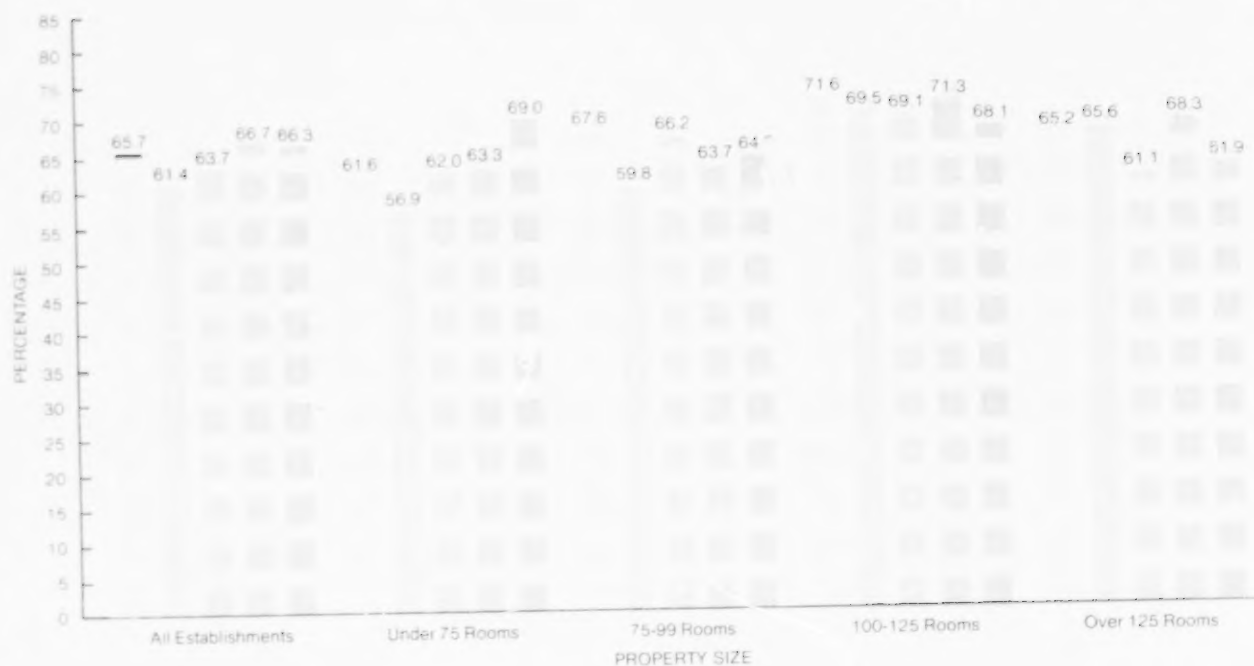
\*Based on those supplying detail.

\*\*Insufficient response.

Chart 6

Percentage of Occupancy\*

Five-Year Overview—1982 to 1986



1982 1983 1984 1985 1986

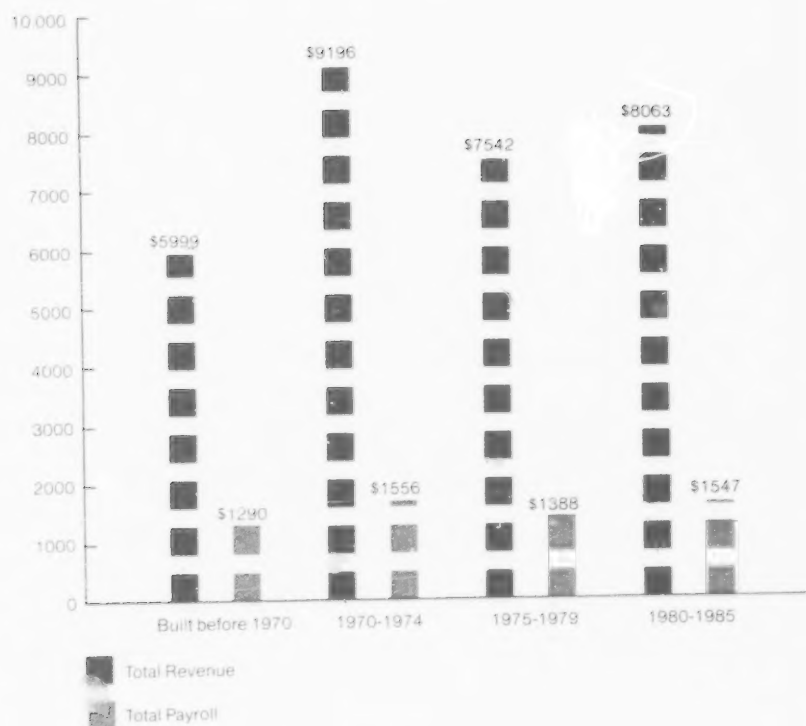
\*All amounts are medians. Occupancy figures taken from previous issues of the L&H study *U.S. Economy Lodging Industry*

Chart 7

Amount Per Room

Total Revenues vs. Total Payroll\*

- By Age



\*All amounts are medians.

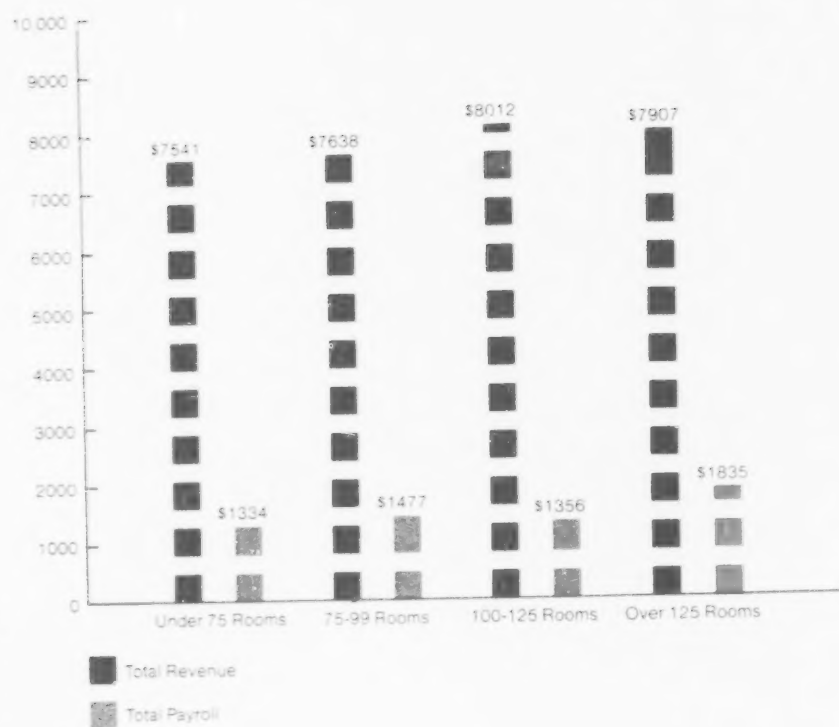
Total payroll figure is based on cash payroll and employee benefits from all departments.

Chart 8

Amount Per Room

Total Revenues vs. Total Payroll\*

— By Size



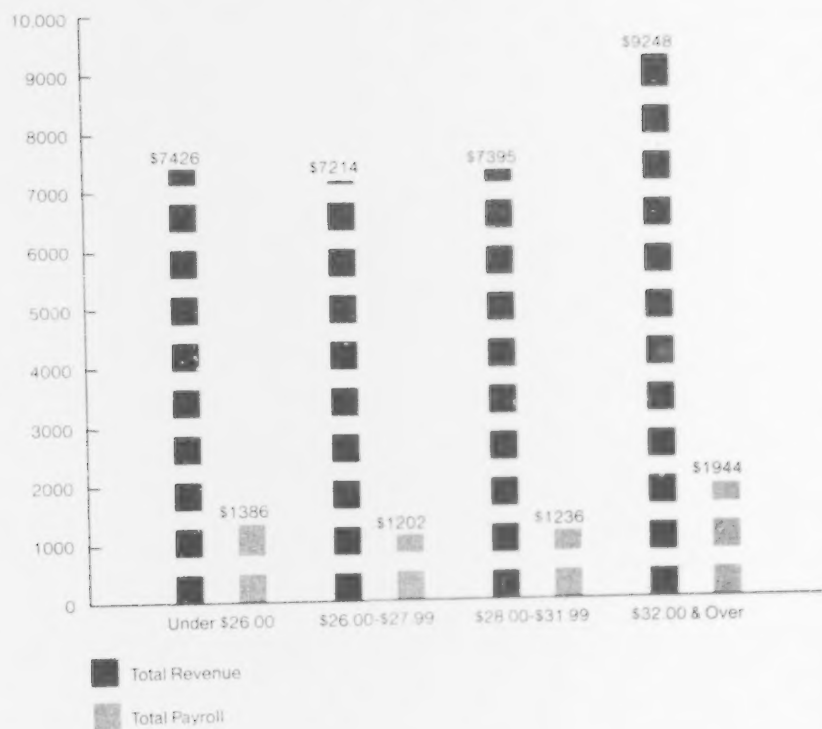
\*All amounts are medians

Total payroll figure is based on cash payroll and employee benefits from all departments



Chart 9

Amount Per Room  
Total Revenues vs. Total Payroll\*  
— By Room Rate



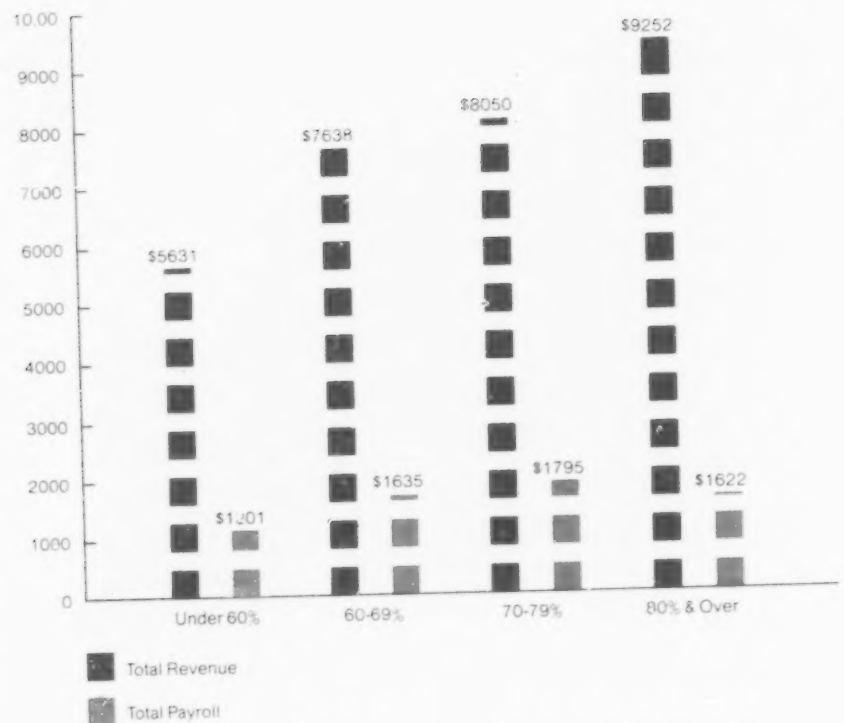
\*All amounts are medians  
 Total payroll figure is based on cash payroll and employee benefits from all departments

Chart 10

Amount Per Room

Total Revenues vs. Total Payroll\*

— By Occupancy



\*All amounts are medians.  
 Total payroll figure is based on cash payroll and employee benefits from all departments

### Exhibit 11

#### Payroll and Related Expenses Per Occupied Room Per Day\* — By Occupancy

|                                  | Median, All Establishments | Occupancy     |               |               |               |
|----------------------------------|----------------------------|---------------|---------------|---------------|---------------|
|                                  |                            | Under 60%     | 60-69%        | 70-79%        | 80% and Over  |
| Rooms                            | \$5.24                     | \$5.26        | \$5.43        | \$4.89        | \$4.52        |
| Minor-Operated Departments       | .25                        | **            | **            | **            | **            |
| Administrative & General         | 1.41                       | 1.89          | 1.31          | 1.29          | 1.45          |
| Marketing                        | .50                        | .52           | .63           | .40           | .31           |
| Property Operation & Maintenance | .52                        | .75           | .56           | .45           | .37           |
| <b>Total 1986</b>                | <b>\$6.90</b>              | <b>\$7.34</b> | <b>\$7.11</b> | <b>\$6.61</b> | <b>\$5.40</b> |
| Total — 1985                     | \$6.04                     | \$6.75        | \$6.43        | \$6.44        | \$5.94        |
| % Change                         | 14.2%                      | 8.7%          | 10.6%         | 2.6%          | (9.1)%        |

\*Based on those supplying detail

\*\*Insufficient response

Among the rules posted in hotels during Revolutionary times was "No more than five to sleep in one bed."

### Exhibit 12

#### Management Fees — All Establishments

|                             | Lower Quartile | Median | Upper Quartile |
|-----------------------------|----------------|--------|----------------|
| <b>Amount Per Room</b>      |                |        |                |
| 1986                        | \$267          | \$374  | \$507          |
| 1985                        | 288            | 383    | 503            |
| <b>Ratio to Total Sales</b> |                |        |                |
| 1986                        | 4.2%           | 5.0%   | 6.2%           |
| 1985                        | 4.7            | 4.9    | 7.3            |

### Exhibit 13

#### Energy Costs Per Occupied Room Per Day — By Region\*

|                          | Mean, All Establishments | Region        |               |               |               |
|--------------------------|--------------------------|---------------|---------------|---------------|---------------|
|                          |                          | East          | North Central | South Central | West          |
| Fuel                     | \$ .56                   | \$ .80        | \$ .44        | \$ .28        | \$ .59        |
| Electricity              | 1.52                     | 1.60          | 1.56          | 2.13          | 1.25          |
| Water                    | .32                      | .35           | .25           | .39           | .34           |
| <b>Total Cost — 1986</b> | <b>\$2.25</b>            | <b>\$2.44</b> | <b>\$2.26</b> | <b>\$2.56</b> | <b>\$2.01</b> |
| Total Cost — 1985        | \$2.48                   | \$2.98        | \$2.56        | \$2.23        | \$2.10        |

\*Based on arithmetic mean

## Exhibit 14

## Analysis of Undistributed Operating Expenses—By Selected Criteria\*

|                                             | Median, All Establishments | Age of Property   |           |           |           |
|---------------------------------------------|----------------------------|-------------------|-----------|-----------|-----------|
|                                             |                            | Built Before 1970 | 1970-1974 | 1975-1979 | 1980-1985 |
| <b>Administrative &amp; General</b>         |                            |                   |           |           |           |
| Cost Per Room                               |                            |                   |           |           |           |
| Payroll & Related Expenses                  | \$362                      | \$ 54             | \$660     | \$588     | \$ 465    |
| Total Other Expenses                        | 304                        | 296               | 297       | 280       | 348       |
| Total                                       | \$636                      | \$413             | \$965     | \$809     | \$1,019   |
| Ratio to Total Sales                        |                            |                   |           |           |           |
| Payroll & Related Expenses                  | 4.4%                       | 1.6%              | 8.3%      | 8.1%      | 5.5%      |
| Total Other Expenses                        | 4.4                        | 5.1               | 4.2       | 4.4       | 4.1       |
| Total                                       | 8.3%                       | 6.2%              | 10.9%     | 12.8%     | 9.9%      |
| <b>Marketing</b>                            |                            |                   |           |           |           |
| Cost Per Room—Total                         | \$379                      | \$197             | \$214     | \$211     | \$463     |
| Ratio to Total Sales—Total                  | 5.2%                       | 3.3%              | 2.9%      | 3.4%      | 5.4%      |
| <b>Energy Costs</b>                         |                            |                   |           |           |           |
| Cost Per Room—Total                         | \$463                      | \$482             | \$555     | \$487     | \$456     |
| Ratio to Total Sales—Total                  | 6.2%                       | 7.4%              | 6.2%      | 6.3%      | 5.3%      |
| <b>Property Operation &amp; Maintenance</b> |                            |                   |           |           |           |
| Cost Per Room                               |                            |                   |           |           |           |
| Payroll & Related Expenses                  | \$124                      | \$156             | \$124     | \$108     | \$158     |
| Other Expenses                              | 188                        | 296               | 225       | 239       | 213       |
| Total                                       | \$288                      | \$427             | \$362     | \$327     | \$365     |
| Ratio to Total Sales                        |                            |                   |           |           |           |
| Payroll & Related Expenses                  | 1.6%                       | 2.6%              | 1.4%      | 1.7%      | 2.1%      |
| Other Expenses                              | 2.5                        | 5.3               | 3.0       | 3.4       | 2.8       |
| Total                                       | 3.9%                       | 7.8%              | 4.5%      | 5.5%      | 4.5%      |

\*All figures are medians and do not necessarily add to totals shown. Based on those supplying detail.

| Size of Property |             |               |                | Occupancy |        |        |              |
|------------------|-------------|---------------|----------------|-----------|--------|--------|--------------|
| Under 75 Rooms   | 75-99 Rooms | 100-125 Rooms | Over 125 Rooms | Under 60% | 60-69% | 70-79% | 80% and Over |
| \$279            | \$282       | \$541         | \$440          | \$349     | \$303  | \$316  | \$434        |
| 233              | 258         | 324           | 390            | 265       | 319    | 326    | 257          |
| \$517            | \$513       | \$810         | \$767          | \$561     | \$594  | \$626  | \$758        |
| 3.8%             | 3.6%        | 7.1%          | 6.6%           | 5.6%      | 4.4%   | 3.9%   | 4.5%         |
| 4.2              | 3.7         | 4.5           | 5.1            | 5.5       | 4.5    | 3.8    | 2.4          |
| 7.5%             | 7.1%        | 10.5%         | 9.2%           | 9.1%      | 7.7%   | 7.8%   | 8.3%         |
| \$411            | \$412       | \$320         | \$406          | \$300     | \$489  | \$480  | \$352        |
| 5.5%             | 5.8%        | 4.4%          | 5.0%           | 5.4%      | 5.9%   | 5.4%   | 4.0%         |
| \$463            | \$498       | \$441         | \$476          | \$435     | \$470  | \$454  | \$487        |
| 6.7%             | 6.2%        | 5.6%          | 5.7%           | 7.4%      | 6.4%   | 5.1%   | 5.2%         |
| \$123            | \$108       | \$ 97         | \$162          | \$124     | \$128  | \$121  | \$124        |
| 149              | 213         | 214           | 257            | 212       | 185    | 178    | 177          |
| \$258            | \$283       | \$294         | \$376          | \$299     | \$284  | \$272  | \$299        |
| 1.6%             | 1.4%        | 1.6%          | 2.1%           | 2.4%      | 1.6%   | 1.4%   | 1.4%         |
| 1.9              | 2.6         | 3.3           | 2.8            | 4.0       | 2.3    | 2.3    | 1.9          |
| 3.1%             | 3.6%        | 4.1%          | 4.8%           | 6.1%      | 4.1%   | 3.3%   | 3.1%         |

Exhibit 15  
How the Energy Dollar Was Spent—By Occupancy\*

|              | Mean, All Establishments | Occupancy     |               |               |               |
|--------------|--------------------------|---------------|---------------|---------------|---------------|
|              |                          | Under 60%     | 60-69%        | 70-79%        | 80% and Over  |
| Fuel         | 22.5%                    | 22.3%         | 23.8%         | 23.4%         | 21.4%         |
| Electricity  | 64.1                     | 65.4          | 64.9          | 63.5          | 61.3          |
| Water        | 13.4                     | 12.3          | 11.3          | 13.1          | 17.3          |
| <b>Total</b> | <b>100.0%</b>            | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

\*Based on those supplying detail.

Exhibit 16  
Method of Payment For Services\*

|                                 | Method of Payment |              |                  |
|---------------------------------|-------------------|--------------|------------------|
|                                 | Cash              | Credit Card  | All Other Credit |
| <b>Size</b>                     |                   |              |                  |
| Under 75 Rooms                  | 44.8%             | 49.8%        | 5.4%             |
| 75-99 Rooms                     | 51.4              | 38.7         | 9.9              |
| 100-125 Rooms                   | 42.8              | 49.5         | 7.7              |
| Over 125 Rooms                  | 34.8              | 56.2         | 9.0              |
| <b>Location</b>                 |                   |              |                  |
| Center City                     | 48.4%             | 47.7%        | 3.9%             |
| Suburban                        | 33.4              | 53.8         | 12.8             |
| Highway                         | 46.2              | 48.3         | 5.5              |
| <b>Rate</b>                     |                   |              |                  |
| Under \$26.00                   | 53.8%             | 40.6%        | 5.4%             |
| \$26.00-27.99                   | 50.7              | 43.8         | 5.5              |
| \$28.00-31.99                   | 47.0              | 45.7         | 7.3              |
| \$32.00 & Over                  | 30.6              | 58.8         | 10.6             |
| <b>Sales Volume</b>             |                   |              |                  |
| Under \$250,000                 | **                | **           | **               |
| \$250,000-\$499,999             | 49.3%             | 46.2%        | 4.5%             |
| \$500,000-\$999,999             | 45.0              | 48.3         | 6.7              |
| \$1,000,000 & Over              | 30.1              | 57.6         | 12.3             |
| <b>Mean, All Establishments</b> | <b>41.6%</b>      | <b>50.3%</b> | <b>8.1%</b>      |

\*Based on those supplying detail. All amounts are means.

\*\*Insufficient response.

# Exhibit 17

## Fixed Charges -- Median Amounts Per Room and Ratio to Total Sales -- By Selected Criteria\*

Amounts Per Available Room

|                                      | Rent  | Property<br>Taxes | Insurance | Interest | Depreciation and<br>Amortization | Leased<br>Equipment | Total   | Ratio to<br>Total Sales |
|--------------------------------------|-------|-------------------|-----------|----------|----------------------------------|---------------------|---------|-------------------------|
| <b>Age</b>                           |       |                   |           |          |                                  |                     |         |                         |
| Built Before 1970                    | \$487 | \$216             | \$124     | \$ 179   | \$ 997                           | \$ **               | \$1,944 | 33.4%                   |
| 1970-1974                            | 517   | 295               | 124       | 418      | 1,046                            | **                  | 2,648   | 30.1                    |
| 1975-1979                            | 115   | 307               | 121       | 640      | 507                              | 463                 | 1,850   | 27.6                    |
| 1980-1985                            | 378   | 293               | 162       | 2,061    | 1,217                            | 248                 | 3,588   | 43.5                    |
| <b>Size</b>                          |       |                   |           |          |                                  |                     |         |                         |
| Under 75 Rooms                       | \$673 | \$174             | \$124     | \$ 149   | \$ 515                           | \$187               | \$1,386 | 21.3%                   |
| 75-99 Rooms                          | 785   | 188               | 124       | 377      | 990                              | 129                 | 1,509   | 19.6                    |
| 100-125 Rooms                        | 650   | 278               | 146       | 924      | 1,033                            | 445                 | 2,615   | 37.1                    |
| Over 125 Rooms                       | 681   | 293               | 163       | 1,712    | 1,141                            | 249                 | 3,283   | 41.9                    |
| <b>Location</b>                      |       |                   |           |          |                                  |                     |         |                         |
| Center City                          | \$441 | \$200             | \$124     | \$ 210   | \$ 949                           | \$ **               | \$1,782 | 31.8%                   |
| Suburban                             | 884   | 293               | 196       | 1,839    | 1,207                            | 232                 | 3,376   | 38.6                    |
| Highway                              | 756   | 213               | 110       | 783      | 479                              | 187                 | 1,609   | 21.5                    |
| Resort                               | 506   | 371               | 121       | 2,165    | 1,742                            | **                  | 3,797   | 44.5                    |
| <b>Region</b>                        |       |                   |           |          |                                  |                     |         |                         |
| East                                 | \$334 | \$262             | \$194     | \$1,382  | \$1,288                          | \$226               | \$2,978 | 36.3%                   |
| North Central                        | 697   | 210               | 108       | 965      | 428                              | 185                 | 1,419   | 21.1                    |
| South Central                        | **    | 239               | 144       | 1,411    | 1,142                            | 249                 | 1,966   | 43.5                    |
| West                                 | 563   | 217               | 124       | 385      | 1,155                            | 129                 | 1,868   | 29.3                    |
| <b>Median<br/>All Establishments</b> |       |                   |           |          |                                  |                     |         |                         |
|                                      | \$602 | \$224             | \$124     | \$ 922   | \$ 840                           | \$188               | \$1,758 | 26.5%                   |

\*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.

\*\*Insufficient response.

Exhibit 18

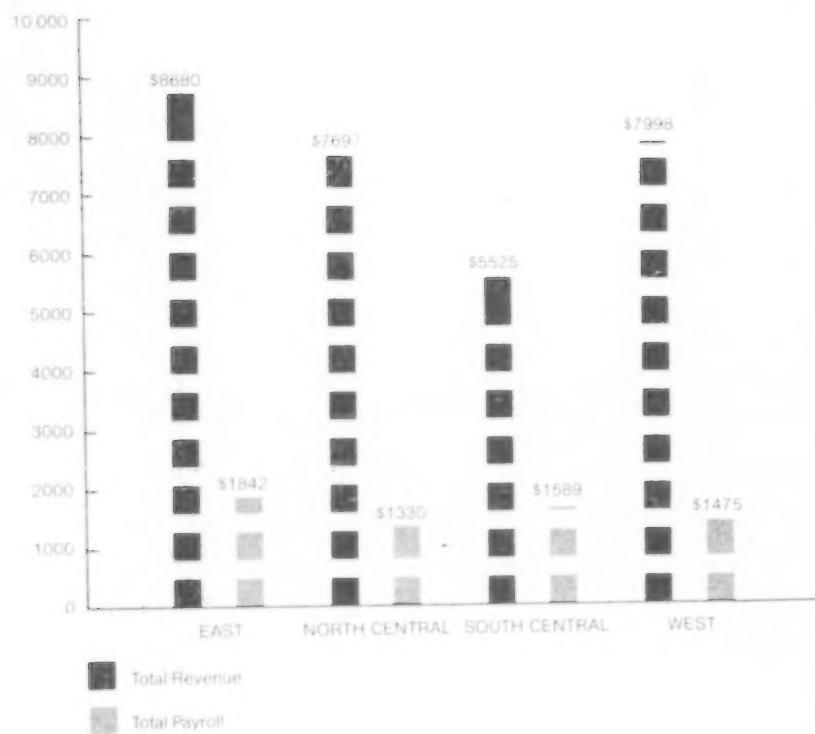
Statement of Income and Expenses

Amount Per Available Room and Ratios to Total Sales — All Establishments\*

|                                               | Amount Per<br>Available Room | Ratio to<br>Total Sales |
|-----------------------------------------------|------------------------------|-------------------------|
| <b>Revenues</b>                               |                              |                         |
| Rooms                                         | \$7,417                      | 96.9%                   |
| Telephone                                     | 167                          | 2.1                     |
| Minor-Operated                                | 43                           | 0.7                     |
| Rentals & Other Income                        | 99                           | 1.4                     |
| Total                                         | \$7,719                      | 100.0%                  |
| <b>Department Expenses</b>                    |                              |                         |
| Rooms                                         | \$1,558                      | 21.1%                   |
| Telephone                                     | 203                          | 2.6                     |
| Minor-Operated                                | 82                           | 0.9                     |
| Total                                         | \$1,746                      | 23.2%                   |
| <b>Department Profit</b>                      |                              |                         |
| Rooms                                         | \$5,804                      | 75.7%                   |
| Telephone                                     | (37)                         | (0.6)                   |
| Minor-Operated                                | (47)                         | (0.7)                   |
| Rentals & Other Income                        | 99                           | 1.4                     |
| Total                                         | \$5,982                      | 76.8%                   |
| <b>Undistributed Operating Expenses</b>       |                              |                         |
| Administrative & General                      |                              |                         |
| Payroll & Related                             | \$ 362                       | 4.4%                    |
| Other                                         | 304                          | 4.4                     |
| Total                                         | \$ 636                       | 8.3%                    |
| <b>Marketing</b>                              |                              |                         |
| Payroll & Related                             | \$ 108                       | 1.3%                    |
| Other                                         | 366                          | 5.0                     |
| Total                                         | \$ 379                       | 5.2%                    |
| <b>Energy Costs</b>                           |                              |                         |
|                                               | \$ 463                       | 6.2%                    |
| <b>Property Operations &amp; Maintenance</b>  |                              |                         |
| Payroll & Related                             | \$ 124                       | 1.6%                    |
| Other                                         | 188                          | 2.5                     |
| Total                                         | \$ 288                       | 3.9%                    |
| <b>Total Undistributed Operating Expenses</b> |                              |                         |
|                                               | \$1,867                      | 25.9%                   |
| Income Before Management Fees                 | 3,789                        | 50.1                    |
| Management Fees (Base & Incentive)            | 374                          | 5.0                     |
| Income Before Fixed Charges                   | 3,522                        | 46.8                    |
| <b>Fixed Charges</b>                          |                              |                         |
| Rent                                          | \$ 602                       | 7.6%                    |
| Property Taxes                                | 224                          | 3.2                     |
| Property Insurance                            | 124                          | 1.8                     |
| Interest                                      | 922                          | 13.4                    |
| Depreciation &                                | 840                          | 12.2                    |
| Leased Equipment                              | 188                          | 2.5                     |
| Total                                         | \$1,758                      | 26.5%                   |
| <b>Income Before Income Taxes</b>             |                              |                         |
|                                               | \$1,561                      | 20.8%                   |



Chart II  
Amount Per Room  
Total Revenues vs. Total Payroll\*  
— By Region



\*All amounts are medians  
 Total payroll figure is based on cash payroll and employee benefits from all departments

Exhibit 19  
Statement of Income and Expenses — Amount Per Available Room\*

|                                               | Age of Property   |                |                |                |
|-----------------------------------------------|-------------------|----------------|----------------|----------------|
|                                               | Built Before 1970 | 1970-1974      | 1975-1979      | 1980-1985      |
| Average Annual Occupancy                      | 56.4%             | 77.2%          | 62.7%          | 64.0%          |
| Average Annual Room Rate                      | \$27.75           | \$27.83        | \$28.95        | \$35.27        |
| <b>Revenue</b>                                |                   |                |                |                |
| Rooms                                         | \$5,992           | \$8,653        | \$7,233        | \$7,857        |
| Telephone                                     | **                | 337            | 248            | 201            |
| Minor-Operated                                | **                | **             | **             | **             |
| Rentals & Other Income                        | 35                | 161            | 145            | 83             |
| Total                                         | \$5,999           | \$9,196        | \$7,542        | \$8,063        |
| <b>Department Expenses</b>                    |                   |                |                |                |
| Rooms                                         | \$1,168           | \$1,110        | \$1,023        | \$1,596        |
| Telephone                                     | 160               | 127            | 49             | 156            |
| Minor-Operated                                | **                | **             | **             | **             |
| Total                                         | \$1,176           | \$1,189        | \$1,081        | \$1,775        |
| <b>Department Profit</b>                      |                   |                |                |                |
| Rooms                                         | \$4,657           | \$7,309        | \$6,331        | \$6,420        |
| Telephone                                     | (142)             | (27)           | (18)           | (5)            |
| Minor-Operated                                | **                | **             | **             | (78)           |
| Rentals & Other Income                        | 36                | 161            | 145            | 83             |
| Total                                         | \$4,797           | \$7,634        | \$6,464        | \$6,651        |
| <b>Undistributed Operating Expenses</b>       |                   |                |                |                |
| Administrative & General                      |                   |                |                |                |
| Payroll & Related                             | \$ 54             | \$ 660         | \$ 588         | \$ 465         |
| Other                                         | 296               | 297            | 280            | 348            |
| Total                                         | \$ 413            | \$ 965         | \$ 809         | \$ 836         |
| <b>Marketing</b>                              |                   |                |                |                |
| Payroll & Related                             | \$ **             | \$ 52          | \$ 142         | \$ 116         |
| Other                                         | 197               | 214            | 190            | 383            |
| Total                                         | \$ 197            | \$ 214         | \$ 211         | \$ 463         |
| <b>Energy Costs</b>                           |                   |                |                |                |
|                                               | \$ 482            | \$ 555         | \$ 487         | \$ 456         |
| <b>Property Operations &amp; Maintenance</b>  |                   |                |                |                |
| Payroll & Related                             | \$ 156            | \$ 124         | \$ 108         | \$ 158         |
| Other                                         | 296               | 225            | 239            | 213            |
| Total                                         | \$ 427            | \$ 362         | \$ 327         | \$ 365         |
| <b>Total Undistributed Operating Expenses</b> | <b>\$1,568</b>    | <b>\$1,924</b> | <b>\$1,736</b> | <b>\$2,346</b> |
| Income Before Management Fees                 | \$3,129           | \$4,854        | \$3,891        | \$4,554        |
| Management Fees (Base & Incentive)            | \$ 338            | \$ 485         | \$ 506         | \$ 392         |
| Income Before Fixed Charges                   | \$2,663           | \$4,374        | \$3,463        | \$4,136        |
| <b>Fixed Charges</b>                          |                   |                |                |                |
| Rent                                          | \$ 487            | \$ 517         | \$ 115         | \$ 378         |
| Property Taxes                                | 216               | 295            | 307            | 293            |
| Property Insurance                            | 124               | 124            | 121            | 162            |
| Interest                                      | 179               | 418            | 640            | 2,061          |
| Depreciation & Amortization                   | 997               | 1,046          | 507            | 1,217          |
| Total                                         | \$1,944           | \$2,648        | \$1,850        | \$3,588        |
| <b>Income Before Income Taxes</b>             | <b>\$ 786</b>     | <b>\$2,569</b> | <b>\$1,458</b> | <b>\$ 423</b>  |

| Size of Property |             |               |                | Average Room Rate |                 |                 |                  |
|------------------|-------------|---------------|----------------|-------------------|-----------------|-----------------|------------------|
| Under 75 Rooms   | 75-99 Rooms | 100-125 Rooms | Over 125 Rooms | Under \$26.00     | \$26.00-\$27.99 | \$28.00-\$31.99 | \$32.00 and Over |
| 69.0%            | 64.2%       | 68.1%         | 61.9%          | 75.2%             | 69.0%           | 66.1%           | 63.6%            |
| \$28.09          | \$28.92     | \$29.82       | \$32.22        | \$24.80           | \$27.13         | \$29.86         | \$37.46          |
| \$7,169          | \$7,329     | \$7,748       | \$7,678        | \$6,942           | \$6,772         | \$7,071         | \$8,843          |
| 151              | 190         | 162           | 217            | 129               | 147             | 142             | 243              |
| **               | **          | **            | **             | **                | **              | **              | 35               |
| 96               | 110         | 93            | 126            | 235               | 137             | 66              | 92               |
| \$7,541          | \$7,638     | \$8,012       | \$7,907        | \$7,426           | \$7,214         | \$7,395         | \$9,248          |
| \$1,560          | \$1,484     | \$1,462       | \$1,632        | \$ 991            | \$1,534         | \$1,490         | \$1,752          |
| 226              | 205         | 109           | 155            | 134               | 206             | 199             | 243              |
| **               | **          | **            | **             | **                | **              | **              | **               |
| \$1,767          | \$1,701     | \$1,705       | \$1,763        | \$1,135           | \$1,772         | \$1,747         | \$1,972          |
| \$5,378          | \$5,638     | \$6,198       | \$6,148        | \$5,227           | \$5,271         | \$5,521         | \$6,718          |
| (88)             | (57)        | (7)           | (11)           | (82)              | (69)            | (30)            | (6)              |
| **               | **          | 11            | (64)           | **                | **              | **              | (55)             |
| 96               | 110         | 94            | 126            | 235               | 137             | 66              | 92               |
| \$5,610          | \$5,890     | \$6,361       | \$6,355        | \$5,868           | \$5,361         | \$5,559         | \$6,874          |
| \$ 279           | \$ 282      | \$ 541        | \$ 440         | \$ 486            | \$ 365          | \$ 273          | \$ 418           |
| 233              | 258         | 324           | 390            | 147               | 261             | 299             | 433              |
| \$ 517           | \$ 513      | \$ 810        | \$ 767         | \$ 615            | \$ 606          | \$ 499          | \$ 788           |
| \$ **            | \$ **       | \$ 132        | \$ 99          | \$ **             | \$ **           | \$ 60           | \$ 119           |
| 411              | 412         | 318           | 342            | 150               | 358             | 411             | 488              |
| \$ 411           | \$ 412      | \$ 320        | \$ 406         | \$ 150            | \$ 365          | \$ 421          | \$ 541           |
| \$ 463           | \$ 498      | \$ 441        | \$ 476         | \$ 444            | \$ 445          | \$ 430          | \$ 496           |
| \$ 123           | \$ 108      | \$ 97         | \$ 162         | \$ 117            | \$ 93           | \$ 84           | \$ 200           |
| 149              | 213         | 214           | 257            | 149               | 178             | 147             | 268              |
| \$ 258           | \$ 283      | \$ 294        | \$ 376         | \$ 275            | \$ 272          | \$ 210          | \$ 441           |
| \$1,830          | \$1,919     | \$1,845       | \$2,243        | \$1,568           | \$1,797         | \$1,767         | \$2,498          |
| \$3,557          | \$3,514     | \$4,404       | \$3,732        | \$3,776           | \$3,444         | \$3,655         | \$4,451          |
| \$ 359           | \$ 314      | \$ 438        | \$ 381         | \$ 265            | \$ 374          | \$ 371          | \$ 447           |
| \$3,458          | \$3,377     | \$3,907       | \$3,260        | \$3,776           | \$3,301         | \$3,354         | \$4,201          |
| \$ 673           | \$ 785      | \$ 650        | \$ 681         | \$ 740            | \$ 626          | \$ 430          | \$ 556           |
| 174              | 188         | 278           | 293            | 210               | 174             | 196             | 300              |
| 124              | 124         | 146           | 163            | 121               | 120             | 124             | 168              |
| 149              | 377         | 924           | 1,712          | 915               | 336             | 525             | 1,462            |
| 515              | 990         | 1,033         | 1,141          | 975               | 486             | 699             | 1,217            |
| \$1,386          | \$1,509     | \$2,615       | \$3,283        | \$2,166           | \$1,204         | \$1,265         | \$2,911          |
| \$1,890          | \$2,183     | \$1,620       | \$ 184         | \$1,363           | \$2,058         | \$1,896         | \$1,246          |

(continued on next page) 51

## Exhibit 19 (continued)

## Statement of Income and Expenses—Ratio to Total Sales\*

|                                               | Age of Property   |           |           |           |
|-----------------------------------------------|-------------------|-----------|-----------|-----------|
|                                               | Built Before 1970 | 1970-1974 | 1975-1979 | 1980-1985 |
| Average Annual Occupancy                      | 56.4%             | 77.2%     | 62.7%     | 64.0%     |
| Average Annual Room Rate                      | \$27.75           | \$27.83   | \$28.95   | \$35.27   |
| <b>Revenue</b>                                |                   |           |           |           |
| Rooms                                         | 99.3%             | 95.5%     | 97.2%     | 97.3%     |
| Telephone                                     | **                | 3.7       | 2.5       | 2.4       |
| Minor-Operated                                | **                | **        | **        | **        |
| Rentals & Other Income                        | 0.7               | 1.8       | 1.7       | 1.3       |
| Total                                         | 100.0%            | 100.0%    | 100.0%    | 100.0%    |
| <b>Department Expenses</b>                    |                   |           |           |           |
| Rooms                                         | 21.4%             | 14.4%     | 16.3%     | 20.5%     |
| Telephone                                     | 2.0               | 1.3       | 0.6       | 2.1       |
| Minor-Operated                                | **                | **        | **        | **        |
| Total                                         | 21.4%             | 15.5%     | 16.7%     | 22.7%     |
| <b>Department Profit</b>                      |                   |           |           |           |
| Rooms                                         | 78.3%             | 83.1%     | 81.4%     | 77.3%     |
| Telephone                                     | (1.6)             | (0.3)     | (0.4)     | (0.1)     |
| Minor-Operated                                | **                | **        | **        | (0.9)     |
| Rentals & Other Income                        | 0.7               | 1.8       | 1.7       | 1.3       |
| Total                                         | 78.6%             | 84.5%     | 83.3%     | 77.3%     |
| <b>Undistributed Operating Expenses</b>       |                   |           |           |           |
| Administrative & General                      |                   |           |           |           |
| Payroll & Related                             | 1.6%              | 8.3%      | 3.1%      | 5.5%      |
| Other                                         | 5.1               | 4.2       | 4.4       | 4.1       |
| Total                                         | 6.2%              | 10.9%     | 12.8%     | 9.9%      |
| <b>Marketing</b>                              |                   |           |           |           |
| Payroll & Related                             | **                | 0.7%      | 1.3%      | 1.3%      |
| Other                                         | 3.3               | 2.9       | 3.1       | 4.6       |
| Total                                         | 3.3%              | 2.9%      | 3.4%      | 5.4%      |
| <b>Energy Costs</b>                           |                   |           |           |           |
|                                               | 7.4%              | 6.2%      | 6.3%      | 5.3%      |
| <b>Property Operations &amp; Maintenance</b>  |                   |           |           |           |
| Payroll & Related                             | 2.6%              | 1.4%      | 1.7%      | 2.1%      |
| Other                                         | 5.3               | 3.0       | 3.4       | 2.8       |
| Total                                         | 7.8%              | 4.5%      | 5.5%      | 4.5%      |
| <b>Total Undistributed Operating Expenses</b> |                   |           |           |           |
|                                               | 27.3%             | 25.7%     | 29.2%     | 25.2%     |
| Income Before Management Fees                 | 52.8%             | 58.8%     | 53.0%     | 50.2%     |
| Management Fees (Base & Incentive)            | 6.3%              | 7.2%      | 5.5%      | 4.8%      |
| Income Before Fixed Charges                   | 45.6%             | 51.1%     | 46.9%     | 46.8%     |
| <b>Fixed Charges</b>                          |                   |           |           |           |
| Rent                                          | 7.4%              | 4.9%      | 1.1%      | 4.0%      |
| Property Taxes                                | 3.9               | 3.9       | 3.8       | 3.9       |
| Property Insurance                            | 2.1               | 1.3       | 1.4       | 2.2       |
| Interest                                      | 3.1               | 5.6       | 10.7      | 25.2      |
| Depreciation & Amortization                   | 18.0              | 18.6      | 7.6       | 14.2      |
| Total                                         | 33.4%             | 30.1%     | 27.6%     | 43.5%     |
| <b>Income Before Income Taxes</b>             |                   |           |           |           |
|                                               | 13.0%             | 31.2%     | 18.2%     | 4.1%      |

\*All amounts are medians and do not necessarily add to totals shown. \*\*Insufficient response.

| Size of Property |             |               |                | Average Room Rate |                 |                 |                  |
|------------------|-------------|---------------|----------------|-------------------|-----------------|-----------------|------------------|
| Under 75 Rooms   | 75-99 Rooms | 100-125 Rooms | Over 125 Rooms | Under \$26.00     | \$26.00-\$27.99 | \$28.00-\$31.99 | \$32.00 and Over |
| 69.0%            | 64.2%       | 68.1%         | 61.9%          | 75.2%             | 69.0%           | 66.1%           | 63.6%            |
| \$28.09          | \$28.92     | \$29.82       | \$32.22        | \$24.80           | \$27.13         | \$29.86         | \$37.46          |
| 96.5%            | 96.3%       | 97.7%         | 96.3%          | 94.7%             | 96.4%           | 97.2%           | 97.2%            |
| 2.1              | 2.1         | 2.0           | 3.2            | 1.9               | 2.0             | 2.0             | 2.5              |
| **               | **          | **            | **             | **                | **              | **              | 0.6              |
| 1.4              | 1.5         | 1.3           | 1.5            | 5.1               | 1.8             | 1.1             | 1.1              |
| 100.0%           | 100.0%      | 100.0%        | 100.0%         | 100.0%            | 100.0%          | 100.0%          | 100.0%           |
| 21.6%            | 21.4%       | 18.6%         | 20.7%          | 17.7%             | 22.7%           | 21.7%           | 20.8%            |
| 2.8              | 2.8         | 1.4           | 2.5            | 1.6               | 2.9             | 2.7             | 2.7              |
| **               | **          | **            | **             | **                | **              | **              | 1.0              |
| 23.7%            | 23.6%       | 20.5%         | 22.5%          | 19.2%             | 24.6%           | 24.3%           | 22.1%            |
| 75.3%            | 75.4%       | 78.7%         | 76.4%          | 80.3%             | 73.2%           | 74.7%           | 76.7%            |
| (1.1)            | (0.7)       | (0.1)         | (0.1)          | (1.1)             | (1.0)           | (0.5)           | (0.1)            |
| **               | **          | 0.2           | (0.9)          | **                | **              | **              | (0.6)            |
| 1.4              | 1.5         | 1.3           | 1.5            | 5.1               | 1.8             | 1.1             | 1.1              |
| 76.3%            | 76.4%       | 79.5%         | 77.5%          | 80.8%             | 75.4%           | 75.7%           | 77.9%            |
| 2.8%             | 3.6%        | 7.1%          | 6.6%           | 7.3%              | 5.2%            | 3.5%            | 4.0%             |
| 4.2              | 3.7         | 4.5           | 5.1            | 2.0               | 4.0             | 4.5             | 5.4              |
| 7.5%             | 7.1%        | 10.5%         | 9.2%           | 8.5%              | 8.7%            | 7.5%            | 8.9%             |
| **%              | **%         | 1.3%          | 1.4%           | **%               | **%             | 0.7%            | 1.3%             |
| 5.4              | 5.8         | 4.2           | 4.4            | 3.4               | 5.0             | 5.9             | 5.2              |
| 5.5%             | 5.8%        | 4.4%          | 5.0%           | 3.4%              | 5.0%            | 5.9%            | 5.7%             |
| 6.7%             | 6.2%        | 5.6%          | 5.7%           | 6.3%              | 6.6%            | 6.2%            | 5.7%             |
| 1.6%             | 1.4%        | 1.6%          | 2.1%           | 1.5%              | 1.5%            | 1.2%            | 2.4%             |
| 1.9              | 2.6         | 3.3           | 2.8            | 2.3               | 2.3             | 2.0             | 3.3              |
| 3.1%             | 3.6%        | 4.1%          | 4.8%           | 3.7%              | 3.6%            | 3.0%            | 5.4%             |
| 26.5%            | 27.9%       | 24.4%         | 25.3%          | 21.0%             | 26.1%           | 25.6%           | 27.7%            |
| 49.5%            | 49.8%       | 53.8%         | 48.2%          | 59.4%             | 47.7%           | 50.1%           | 60.0%            |
| 5.1%             | 4.8%        | 5.3%          | 4.5%           | 4.9%              | 4.8%            | 4.9%            | 5.1%             |
| 46.6%            | 45.7%       | 49.1%         | 43.8%          | 54.5%             | 45.3%           | 48.2%           | 45.4%            |
| 9.7%             | 8.6%        | 2.6%          | 3.5%           | 8.4%              | 9.2%            | 6.8%            | 6.4%             |
| 2.5              | 2.8         | 3.7           | 3.8            | 3.9               | 2.7             | 2.8             | 3.3              |
| 1.6              | 1.9         | 1.7           | 2.2            | 1.5               | 1.6             | 1.9             | 2.0              |
| 2.5              | 4.8         | 14.9          | 25.1           | 11.1              | 5.6             | 10.8            | 16.3             |
| 9.3              | 14.1        | 12.2          | 14.2           | 14.4              | 7.1             | 8.4             | 14.4             |
| 21.3%            | 19.6%       | 37.1%         | 41.9%          | 32.4%             | 17.8%           | 21.1%           | 30.5%            |
| 24.3%            | 27.6%       | 19.2%         | 3.8%           | 21.0%             | 26.7%           | 25.2%           | 14.9%            |

**Exhibit 20**  
**Statement of Income and Expenses—Amount Per Available Room\***

|                                               | Occupancy      |                |                |
|-----------------------------------------------|----------------|----------------|----------------|
|                                               | Under 60%      | 60-69%         | 70-79%         |
| Average Annual Occupancy                      | 51.5%          | 64.0%          | 74.7%          |
| Average Annual Room Rate                      | \$30.18        | \$30.87        | \$28.11        |
| <b>Revenue</b>                                |                |                |                |
| Rooms                                         | \$5,509        | \$7,324        | \$7,698        |
| Telephone                                     | 146            | 208            | 160            |
| Minor-Operated                                | 27             | **             | **             |
| Rentals & Other Income                        | \$64           | 116            | 133            |
| Total                                         | \$5,631        | \$7,638        | \$8,050        |
| <b>Department Expenses</b>                    |                |                |                |
| Rooms                                         | \$1,254        | \$1,590        | \$1,721        |
| Telephone                                     | 155            | 231            | 237            |
| Minor-Operated                                | **             | **             | **             |
| Total                                         | \$1,352        | \$1,772        | \$1,905        |
| <b>Department Profit</b>                      |                |                |                |
| Rooms                                         | \$4,185        | \$5,808        | \$5,932        |
| Telephone                                     | (26)           | (27)           | (69)           |
| Minor-Operated                                | (13)           | **             | **             |
| Rentals & Other Income                        | 64             | 116            | 133            |
| Total                                         | \$4,168        | \$5,944        | \$6,183        |
| <b>Undistributed Operating Expenses</b>       |                |                |                |
| Administrative & General                      |                |                |                |
| Payroll & Related                             | \$ 348         | \$ 303         | \$ 316         |
| Other                                         | 265            | 319            | 326            |
| Total                                         | \$ 561         | \$ 594         | \$ 626         |
| <b>Marketing</b>                              |                |                |                |
| Payroll & Related                             | \$ 92          | \$ 145         | \$ 105         |
| Other                                         | 288            | 466            | 479            |
| Total                                         | \$ 300         | \$ 489         | \$ 480         |
| <b>Energy Costs</b>                           | \$ 435         | \$ 470         | \$ 454         |
| <b>Property Operations &amp; Maintenance</b>  |                |                |                |
| Payroll & Related                             | \$ 124         | \$ 128         | \$ 121         |
| Other                                         | 212            | 185            | 178            |
| Total                                         | \$ 299         | \$ 284         | \$ 272         |
| <b>Total Undistributed Operating Expenses</b> | <b>\$1,678</b> | <b>\$1,925</b> | <b>\$2,057</b> |
| Income Before Management Fees                 | \$2,527        | \$3,733        | \$4,359        |
| Management Fees (Base & Incentive)            | \$ 314         | \$ 389         | \$ 404         |
| Income Before Fixed Charges                   | \$2,141        | \$3,528        | \$4,021        |
| <b>Fixed Charges</b>                          |                |                |                |
| Rent                                          | \$ 502         | \$ 492         | \$ 626         |
| Property Taxes                                | 208            | 175            | 264            |
| Property Insurance                            | 124            | 124            | 121            |
| Interest                                      | 695            | 1,195          | 1,008          |
| Depreciation & Amortization                   | 722            | 744            | 504            |
| Total                                         | \$1,664        | \$1,598        | \$1,609        |
| <b>Income Before Income Taxes</b>             | <b>\$ 346</b>  | <b>\$1,508</b> | <b>\$2,690</b> |

| 80% and Over | Region  |               |               |         |
|--------------|---------|---------------|---------------|---------|
|              | East    | North Central | South Central | West    |
| 86.6%        | 66.0%   | 68.0%         | 50.1%         | 73.1%   |
| \$27.19      | \$31.49 | \$28.52       | \$31.32       | \$27.41 |
| \$8.801      | \$8.462 | \$7.343       | \$5.288       | \$7.802 |
| 185          | 165     | 155           | 189           | 171     |
| **           | **      | **            | **            | **      |
| 267          | 65      | 126           | 66            | 79      |
| \$9.252      | \$8.680 | \$7.697       | \$5.525       | \$7.998 |
| \$1.945      | \$2.086 | \$1.580       | \$1.474       | \$1.312 |
| 210          | 203     | 220           | 189           | 160     |
| **           | **      | **            | **            | **      |
| \$2.221      | \$2.091 | \$1.807       | \$1.646       | \$1.337 |
| \$7.366      | \$6.364 | \$5.598       | \$3.946       | \$6.089 |
| (62)         | 17      | (55)          | (25)          | (95)    |
| **           | **      | (74)          | **            | **      |
| 267          | 65      | 126           | 66            | 79      |
| \$7.794      | \$6.604 | \$5.849       | \$4.015       | \$5.193 |
| \$ 434       | \$ 364  | \$ 368        | \$ 565        | \$ 250  |
| 257          | 425     | 251           | 338           | 322     |
| \$ 758       | \$ 610  | \$ 602        | \$ 857        | \$ 669  |
| \$ 98        | \$ 145  | \$ 56         | \$ 108        | \$ **   |
| 352          | 385     | 499           | 307           | 227     |
| \$ 352       | \$ 428  | \$ 499        | \$ 316        | \$ 229  |
| \$ 487       | \$ 565  | \$ 456        | \$ 380        | \$ 452  |
| \$ 124       | \$ 175  | \$ 92         | \$ 162        | \$ 146  |
| 177          | 270     | 150           | 218           | 291     |
| \$ 299       | \$ 294  | \$ 245        | \$ 324        | \$ 427  |
| \$1,970      | \$2,015 | \$1,900       | \$2,075       | \$1,715 |
| \$5,556      | \$4,681 | \$3,833       | \$2,174       | \$3,872 |
| \$ 477       | \$ 387  | \$ 400        | \$ 214        | \$ 388  |
| \$5,452      | \$4,291 | \$3,602       | \$2,048       | \$3,496 |
| \$ 738       | \$ 334  | \$ 697        | \$1,785       | \$ 563  |
| 276          | 262     | 210           | 239           | 217     |
| 146          | 194     | 108           | 144           | 124     |
| 1,454        | 1,382   | 965           | 1,411         | 385     |
| 1,262        | 1,288   | 428           | 1,142         | 1,155   |
| \$2,784      | \$2,978 | \$1,419       | \$1,966       | \$1,868 |
| \$2,756      | \$1,682 | \$1,648       | (432)         | \$1,633 |

Exhibit 20 (continued)  
Statement of Income and Expenses — Ratio to Total Sales\*

|                                               | Occupancy |         |         |
|-----------------------------------------------|-----------|---------|---------|
|                                               | Under 60% | 60-69%  | 70-79%  |
| Average Annual Occupancy                      | 51.5%     | 64.0%   | 74.7%   |
| Average Annual Room Rate                      | \$30.18   | \$30.87 | \$28.11 |
| <b>Revenue</b>                                |           |         |         |
| Rooms                                         | 97.4%     | 96.9%   | 96.7%   |
| Telephone                                     | 2.1       | 2.5     | 2.0     |
| Minor-Operated                                | 0.4       | **      | **      |
| Rentals & Other Income                        | 1.1       | 1.3     | 1.6     |
| Total                                         | 100.0%    | 100.0%  | 100.0%  |
| <b>Department Expenses</b>                    |           |         |         |
| Rooms                                         | 20.0%     | 20.8%   | 21.1%   |
| Telephone                                     | 2.7       | 2.7     | 2.8     |
| Minor-Operated                                | **        | **      | **      |
| Total                                         | 23.2%     | 23.6%   | 24.0%   |
| <b>Department Profit</b>                      |           |         |         |
| Rooms                                         | 75.6%     | 74.5%   | 75.6%   |
| Telephone                                     | (0.5)     | (0.4)   | (0.8)   |
| Minor-Operated                                | (0.2)     | **      | **      |
| Rentals & Other Income                        | 1.1       | 1.3     | 1.6     |
| Total                                         | 76.8%     | 76.5%   | 76.0%   |
| <b>Undistributed Operating Expenses</b>       |           |         |         |
| Administrative & General                      |           |         |         |
| Payroll & Related                             | 5.6%      | 4.4%    | 3.9%    |
| Other                                         | 5.5       | 4.5     | 3.8     |
| Total                                         | 9.1%      | 7.7%    | 7.8%    |
| <b>Marketing</b>                              |           |         |         |
| Payroll & Related                             | 1.4%      | 1.6%    | 1.0%    |
| Other                                         | 5.1       | 5.4     | 5.2     |
| Total                                         | 5.4%      | 5.9%    | 5.4%    |
| <b>Energy Costs</b>                           |           |         |         |
|                                               | 7.4%      | 6.4%    | 5.1%    |
| <b>Property Operations &amp; Maintenance</b>  |           |         |         |
| Payroll & Related                             | 2.4%      | 1.6%    | 1.4%    |
| Other                                         | 4.0       | 2.3     | 2.3     |
| Total                                         | 6.1%      | 4.1%    | 3.3%    |
| <b>Total Undistributed Operating Expenses</b> |           |         |         |
|                                               | 30.0%     | 27.6%   | 24.4%   |
| Income Before Management Fees                 | 45.3%     | 49.5%   | 52.1%   |
| Management Fees (Base & Incentive)            | 5.6%      | 4.8%    | 4.8%    |
| Income Before Fixed Charges                   | 41.8%     | 46.6%   | 49.5%   |
| <b>Fixed Charges</b>                          |           |         |         |
| Rent                                          | 8.7%      | 6.2%    | 5.5%    |
| Property Taxes                                | 4.0       | 2.6     | 3.3     |
| Property Insurance                            | 2.3       | 1.9     | 1.5     |
| Interest                                      | 10.8      | 13.8    | 15.7    |
| Depreciation & Amortization                   | 15.3      | 10.1    | 6.1     |
| Total                                         | 32.1%     | 20.7%   | 17.8%   |
| <b>Income Before Income Taxes</b>             |           |         |         |
|                                               | 7.9%      | 20.2%   | 31.5%   |

| 80% and Over | Region  |               |               |         |
|--------------|---------|---------------|---------------|---------|
|              | East    | North Central | South Central | West    |
| 86.6%        | 66.0%   | 68.0%         | 50.1%         | 73.1%   |
| \$27.19      | \$31.49 | \$28.52       | \$31.32       | \$27.41 |
| 95.8%        | 97.2%   | 96.6%         | 96.1%         | 97.2%   |
| 2.0          | 2.1     | 2.1           | 3.4           | 2.0     |
| **           | **      | **            | **            | **      |
| 2.6          | 0.9     | 1.7           | 1.5           | 1.0     |
| 100.0%       | 100.0%  | 100.0%        | 100.0%        | 100.0%  |
| 19.9%        | 22.9%   | 21.1%         | 21.5%         | 20.5%   |
| 2.2          | 2.2     | 2.8           | 2.8           | 1.8     |
| **           | **      | **            | **            | **      |
| 21.8%        | 23.9%   | 24.1%         | 24.0%         | 21.6%   |
| 77.4%        | 74.5%   | 75.0%         | 74.3%         | 78.0%   |
| (0.6)        | 0.2     | (0.7)         | (0.5)         | (1.1)   |
| **           | **      | (0.9)         | **            | **      |
| 2.6          | 0.9     | 1.7           | 1.5           | 1.0     |
| 78.2%        | 76.1%   | 76.0%         | 76.0%         | 78.4%   |
| 4.5%         | 3.7%    | 4.4%          | 8.6%          | 3.4%    |
| 2.4          | 5.4     | 3.7           | 6.7           | 5.0     |
| 8.3%         | 7.5%    | 7.8%          | 16.5%         | 8.6%    |
| 0.9%         | 1.4%    | 0.6%          | 1.5%          | **      |
| 4.0          | 4.5     | 7.0           | 5.6           | 3.5     |
| 4.0%         | 5.0%    | 7.0%          | 5.9%          | 3.5%    |
| 5.2%         | 5.9%    | 5.9%          | 6.7%          | 6.1%    |
| 1.4%         | 2.0%    | 1.3%          | 2.5%          | 2.0%    |
| 1.9          | 2.7     | 2.0           | 3.9           | 4.2     |
| 3.1%         | 3.6%    | 3.2%          | 6.0%          | 6.2%    |
| 20.9%        | 22.3%   | 26.7%         | 37.6%         | 24.9%   |
| 58.7%        | 52.1%   | 50.0%         | 39.7%         | 52.8%   |
| 4.8%         | 4.8%    | 5.2%          | 3.9%          | 5.1%    |
| 54.3%        | 49.1%   | 47.8%         | 35.2%         | 47.3%   |
| 7.9%         | 3.2%    | 9.5%          | 36.2%         | 7.4%    |
| 2.6          | 3.2     | 3.2           | 3.5           | 3.0     |
| 1.5          | 2.3     | 1.4           | 2.6           | 2.0     |
| 14.3         | 18.4    | 13.0          | 32.3          | 5.5     |
| 11.8         | 16.1    | 5.5           | 20.9          | 17.9    |
| 28.7%        | 36.3%   | 21.1%         | 43.5%         | 29.3%   |
| 29.9%        | 19.3%   | 23.3%         | (8.4)%        | 21.0%   |

Chart 12

Median Amounts Per Room  
Total Revenue vs. Income Before  
Income Taxes—By Profit vs. Loss

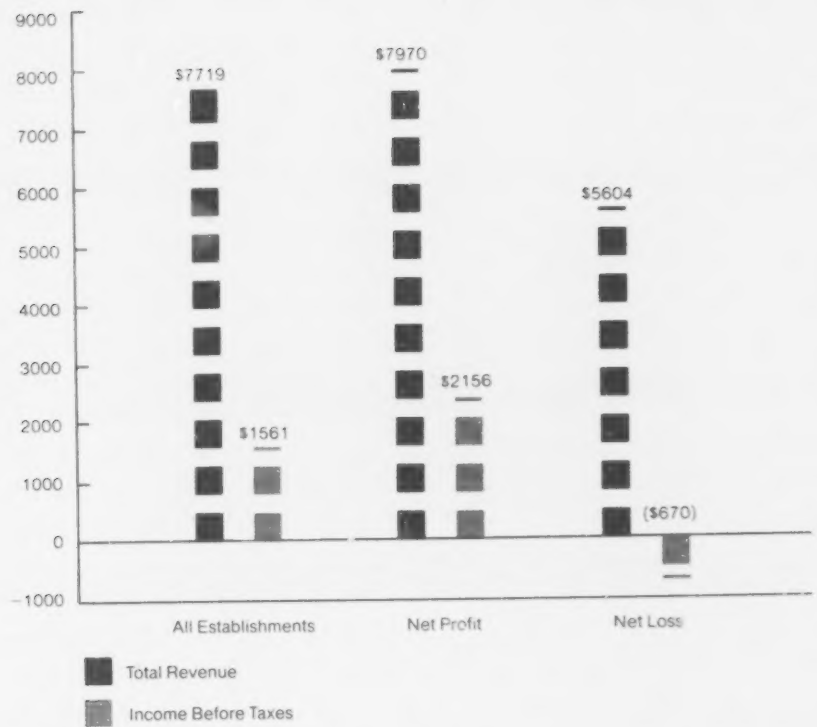
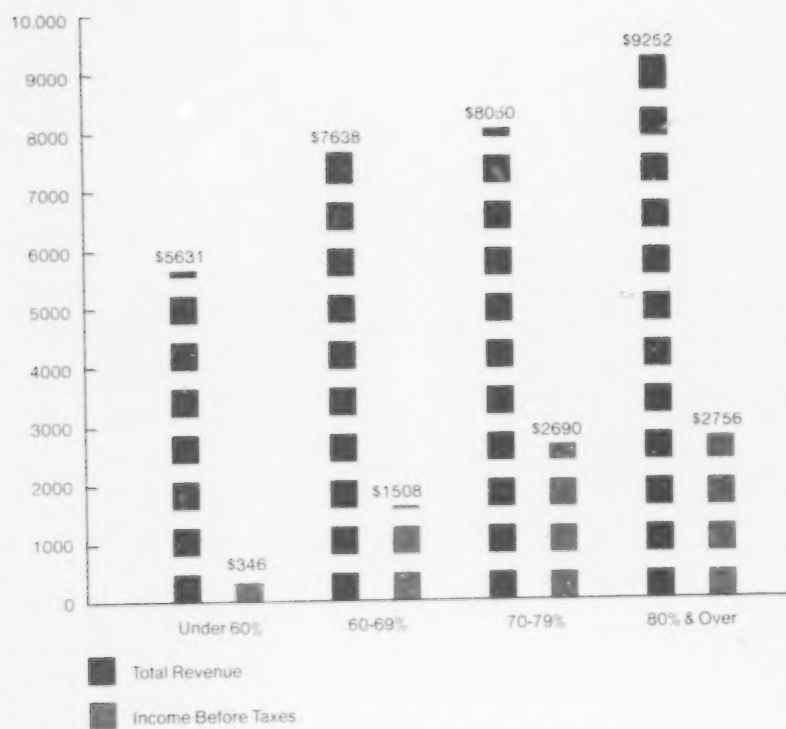


Chart 13

Median Amounts Per Room  
Total Revenue vs. Income Before  
Income Taxes—By Occupancy



## APPENDIX I: UNDERSTANDING MEDIAN

Throughout the year the Research Division at Laventhol & Horwath receives many phone calls requesting explanations about information contained in this study. "What is a median?" and "Why don't these amounts add to the total?" are probably the two most asked questions. Hopefully, this article will shed some light on these confusing issues.

A median is defined as the middle value of all amounts calculated for a specific line item. For example, if we received nine responses for number of full-time employees — 8, 4, 2, 6, 9, 7, 5, 1, 3, these numbers would be arranged sequentially — 1, 2, 3, 4, 5, 6, 7, 8, 9 and the middle value "5" would be the median since 50 percent of the responses received are below the value and 50 percent are above.

The responses are also broken into quartiles, or four equal parts, with the median still being the middle value.

The *lower quartile* is the value that separates the lowest 25 percent of the responses from the rest of the sample when arranged sequentially, while the *upper quartile* defines the boundaries of the upper 25 percent of the responses from the lower 75 percent. Stated another way, 50 percent of all responses fall between the lower and upper quartiles. For example, if we receive 99 responses for a specific line item and the responses (conveniently) were numbered 1 thru 99, the median (or middle value) would be 50, the lower quartile would be 25 (25 percent of the responses would be below 25) and the upper quartile would be 75 (25 percent of the responses would be above 75). Fifty percent (or half) of the responses would fall between the lower and upper quartiles. (See chart below.)



*As early as the  
13th century it  
was the duty of  
the police to see  
that clean beds  
and necessary  
comforts were  
provided for  
travelers in  
Venetian hotels.*

Now that everyone has an understanding of medians, an attempt will be made to answer the question "Why don't the amounts add to the totals?"

The most important thing to remember is that *each line item is analyzed separately!* In the accompanying table when all amounts are arranged sequentially, the median amount per available room for total revenue is \$6,282. This figure is based on the 200 properties\* that gave us information for this specific line item. The median amounts per room for telephone, minor operated, and rentals and other income were \$167, \$43 and \$99 respectively. These three amounts were analyzed on a sample of 256 properties that gave us separate income figures; 20 properties provided only information on room sales; they may have only had room revenue in their establishment. Variation in sample sizes is one reason why figures do not add to the totals shown.

There is another major reason why columns do not total. When using medians, it is important to remember that the median room sales, the median telephone sales and the median for the other income reported probably represent the results for many properties. This also holds true for lower and upper quartile figures.

\*The numbers used for sample sizes are representative and are not actual sample sizes.

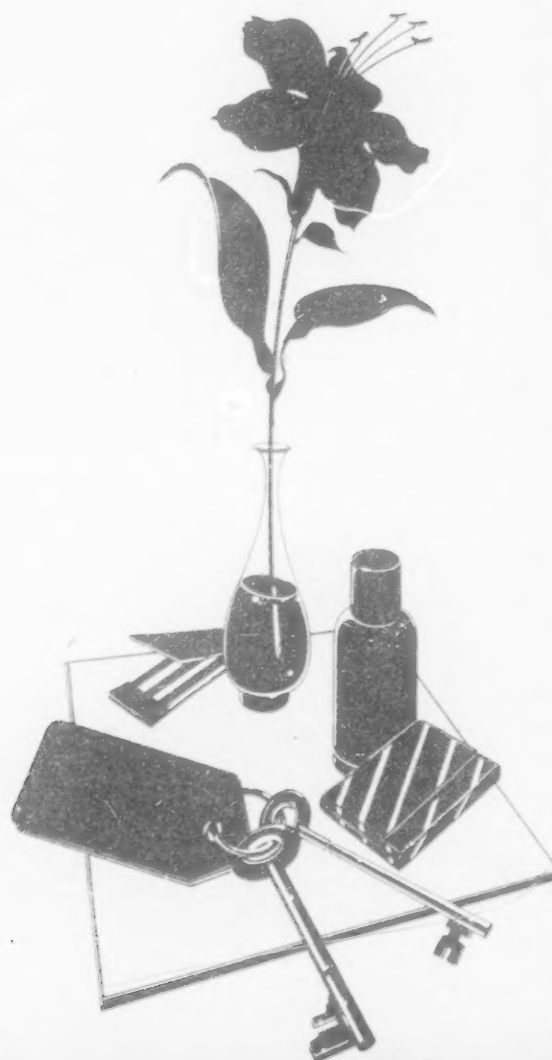
One more fact to remember when comparing a hotel with those reported in this study is that it is not constructive to compare a whole column to your establishment's results (the median column, for example). If your hotel has roughly the same total sales as the median reported it may not be correct to follow through using median amounts for costs and expenses. Since each line is analyzed separately, one property may be close to the median in sales, but have much higher or lower costs and expenses. There are certain factors such as size of hotel and region that may predetermine the costs and expenses and will automatically make a figure higher or lower than the median.

The proper way to compare a property's results with those reported in this study is to first complete the worksheet provided in the back of this study. Then compare industry figures to your figures, line by line. Large variances may identify an area in an operation that requires closer analysis.

#### Statement of Income and Expenses

*Median Amounts Per Available Room and Ratios to Total Sales — All Establishments*

|                            | Amount Per Available Room |
|----------------------------|---------------------------|
| Revenue                    |                           |
| Rooms                      | \$7,417                   |
| Telephone                  | 167                       |
| Minor Operated Departments | 43                        |
| Rentals & Other Income     | 99                        |
| Total Revenue              | \$7,719                   |



## APPENDIX II: BASES AND SIGNIFICANCE OF LODGING STATISTICS

The operating ratios found in this report are based on a survey of a significant sample of the economy/limited-service sector of the lodging market. This report provides detailed guidelines that allow a manager of an economy property or an entrepreneur to evaluate his operation by comparing it with others that have similar characteristics (size, location, region, ownership of assets). Operating statistics used to analyze the economy/limited-service lodging industry express operating revenue and expenses as a ratio to total sales or as an amount per available room, the most common bases.

### Number of rooms

The number of rooms used in several computations is the total number of rooms available for guest rental during the year. All rooms used for management, employees and store rooms are not included in these totals.

### Room occupancy

The percentage of room occupancy is computed by dividing the total number of rooms occupied by the total number of rooms available for occupancy throughout the year. Seasonal fluctuations are thus removed, allowing properties in various climates to be compared for the same period. Seasonal variations can be seen when analyzed on a monthly basis, such as in the *National Trend of Business in the Economy Lodging Industry*.

### Average room rate

The average room rate is computed by dividing rooms revenue, net of all allowances, by the total number of rooms occupied. Affecting this rate is the percentage of double occupancy associated with each property. Double occupancy is the percentage of rented rooms occupied by two or more persons. As the double occupancy increases, the room rate should also rise, since lodging facilities customarily charge a fee for each additional person occupying the guest room. Since most respondents in this survey did not report the total number of guest nights during the year, we were not able to report a double occupancy figure for 1981.

### Comparison of operating results

Due to the current uncertainties surrounding financing methods, operators of lodging establishments may lease all or part of their assets. Because of high construction and interest costs, many operators have turned to creative financing techniques. For operators who lease their assets, fixed costs may differ significantly from those who own their assets. It is difficult to compare those operations

with high depreciation and interest charges with those that are not required to pay any of those fees. To alleviate possible difficulties in comparison, it is recommended that the reader analyze results before fixed charges are deducted.

*Ch. a 2100 B.C.,  
in the Code of  
Hammurabi, it  
is noted that the  
death penalty  
could be  
imposed merely  
for watering the  
beer!*

### Number of times the average rate was earned

The number of times the average rate was earned is obtained by dividing income before fixed charges per available room by the average room rate. In comparing the total earnings of various hotels, the basis of comparison should be the average earnings per available room, since a large hotel should earn more in total than a smaller

one. At the same time, earnings per available room should be judged in relation to the rate charged. Combining both of these necessary components of analysis results in the number of times the average rate goes into the earnings per available room. Table 1 illustrates the practical application of this basis of comparison.

On the basis of the amount earned per available room, Hotel B seems to have the best record. But when the operating income is examined in relation to the average rate, it is evident that Hotel B did not do as well as Hotel or Hotel C.

#### Means, medians and quartiles

Most of the figures in this lodging survey are given as medians and quartiles rather than means. The median and upper and lower quartiles are calculated by first arraying all the numbers in the order of the lowest to the highest figure. The number that falls in the middle of the list is the median. The figure halfway between the lowest number and the median is the lower quartile, while the figure halfway between the median and the highest number is the upper quartile. To arrive at an arithmetic mean, divide the sum of the values by the number of items used. Table 2 illustrates the difference between the two.

It can be seen how the inclusion of a unit with high sales per occupied room may bring about a mean that is not as representative of the group as is the median.

#### Productive index

The productivity index measures employee productivity in terms of the total revenue received for each dollar spent on payroll expenses. It is computed by dividing total revenue by total payroll and related expenses.

Table 1

|                                                | Hotel A   | Hotel B   | Hotel C   |
|------------------------------------------------|-----------|-----------|-----------|
| Number of Available Rooms                      | 80        | 100       | 120       |
| Average Room Rate                              | \$15      | \$20      | \$17      |
| Income Before Fixed Charges                    | \$275,000 | \$385,000 | \$425,000 |
| Income Before Fixed Charges Per Available Room | \$3,438   | \$3,850   | \$3,542   |
| Number of Times Average Rate Was Earned        | 229       | 193       | 208       |

Table 2

|                    | Room Sales  | Occupied Rooms | Room Sales Per Occupied Room |
|--------------------|-------------|----------------|------------------------------|
| Hotel A            | \$ 300,000  | 20,000         | \$15.00                      |
| Hotel B            | 455,000     | 28,000         | 16.25                        |
| Hotel C            | 650,000     | 32,000         | 20.31                        |
| Hotel D            | 930,500     | 45,000         | 20.68                        |
| Hotel E            | 1,250,000   | 50,000         | 25.00                        |
| Total              | \$3,585,500 | 175,000        | \$97.24                      |
| Median             |             |                | \$20.31                      |
| Mean (\$97.24 ÷ 5) |             |                | \$19.45                      |



## PROPERTY ANALYSIS

*The worksheet to the right  
will provide a quick  
analysis of how your property  
is performing in comparison  
to the industry.*

Periodic analysis of the financial performance of your lodging establishment may provide early warning signs of potential problems. Examination on a regular basis could reveal undesirable trends and provide the opportunity for corrective action. The worksheet on this page is designed to provide a quick analysis of key items to reveal problem areas.

Follow these simple instructions for completing the worksheet:

1. Enter your figures in the first column.
2. Select the appropriate medians for comparison from the tables or text.
3. If the variance is greater than plus or minus 10 percent, further analysis should be made to determine the reason for that variance.

### Worksheet

(Use medians from exhibits)

| Amount Per Available Room          | Your Property | Comparison 1 | Comparison 2 |
|------------------------------------|---------------|--------------|--------------|
| Average Annual Occupancy Rate      |               |              |              |
| Average Annual Room Rate           |               |              |              |
| Revenues                           |               |              |              |
| Rooms                              |               |              |              |
| Telephone                          |               |              |              |
| Minor-Operated                     |               |              |              |
| Rentals & Other                    |               |              |              |
| Total                              |               |              |              |
| Department Expenses                |               |              |              |
| Rooms                              |               |              |              |
| Telephone                          |               |              |              |
| Minor-Operated                     |               |              |              |
| Total                              |               |              |              |
| Department Profit                  |               |              |              |
| Rooms                              |               |              |              |
| Telephone                          |               |              |              |
| Minor-Operated                     |               |              |              |
| Rentals & Other                    |               |              |              |
| Total                              |               |              |              |
| Undistributed Expenses             |               |              |              |
| Administrative & General           |               |              |              |
| Payroll & Related                  |               |              |              |
| Other                              |               |              |              |
| Total                              |               |              |              |
| Marketing                          |               |              |              |
| Payroll & Related                  |               |              |              |
| Other                              |               |              |              |
| Total                              |               |              |              |
| Energy                             |               |              |              |
| Property Operations & Maintenance  |               |              |              |
| Payroll & Related                  |               |              |              |
| Other                              |               |              |              |
| Total                              |               |              |              |
| Total Undistributed Expenses       |               |              |              |
| Income Before Management Fees      |               |              |              |
| Management Fees (Base & Incentive) |               |              |              |
| Income Before Fixed Charges        |               |              |              |
| Fixed Charges                      |               |              |              |
| Rent                               |               |              |              |
| Property Taxes                     |               |              |              |
| Property Insurance                 |               |              |              |
| Interest                           |               |              |              |
| Depreciation & Amortization        |               |              |              |
| Total Fixed Charges                |               |              |              |
| Income Before Income Taxes         |               |              |              |

## EXPLANATION OF TERMS

### **Room sales**

Guest rooms revenue generated from accommodations on a part-day occupancy, full-day or longer period basis, net of any rebates and discounts. Also included are charges for maid or linen services.

### **Rentals and other income**

Income from vending machine concessions and commissions, public telephone commissions, merchandise sales of postcards, souvenirs and newspapers, commissions on guest laundry, valet, meeting room rentals and all other income not included elsewhere.

### **Payroll and related expenses—rooms department**

The salaries and wages of departmental personnel and management including overtime, holiday and vacation pay. Also included are employee benefits and payroll taxes such as Federal, state, social security and workmen's compensation.

### **Payroll and related expenses—administrative and general**

Salaries and wages for the resident manager or managing director, secretaries, reception clerks and bookkeepers.

### **Undistributed operating expenses—administrative and general**

Expenses incurred from bad debts, credit card commissions, data processing services, general insurance, licenses and dues, operating supplies, professional fees, security services, travel and entertainment and other related miscellaneous expenses.



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the beginning  
of computer  
applications  
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and restaurants.*

### **Marketing**

Advertising, publicity, franchise fees and other promotional expenses such as printing newspaper, magazine and billboard space and broadcasting time.

### **Energy**

The cost of fuel, electrical current and water.

### **Payroll and related expenses—property operation and maintenance**

Payroll and related expenses related with the repair and maintenance of the building, furniture and fixtures, equipment, in addition to all other expenses necessary to keep the property in operating condition.

### **Property operation and maintenance**

The cost of materials used in repairing equipment, the exterior and interior of the building (floors, walls, doors, furniture), grounds and landscaping, painting and decorating, the removal of waste matter and other related expenses necessary for the upkeep of the lodging facility.

### **Management fees**

Fees charged by a management organization for management service or supervision should be charged to the account.

### **Income before fixed charges**

For purposes of this economy/limited-service lodging industry study, income before fixed charges is defined as total departmental revenue from all sources (rooms, minor departments, rentals and other income and telephone) less all departmental and undistributed operating expenses. This is the income from all operations before deducting rent, property taxes, property insurance, interest, depreciation and income taxes.

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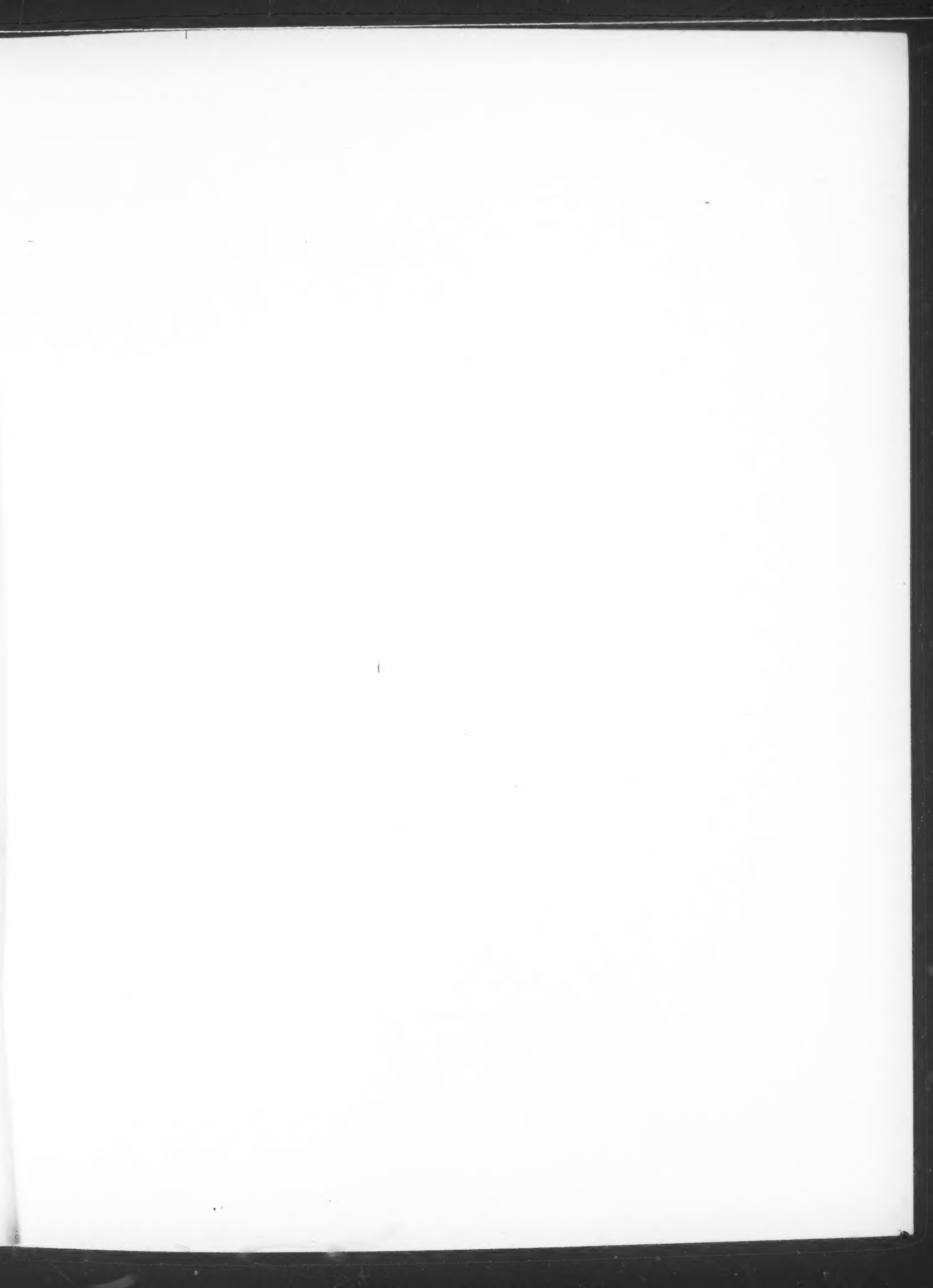
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U.S. ECONOMY/  
LIMITED-SERVICE  
LODGING INDUSTRY

1988



U. S. E C O N O M Y /  
L I M I T E D - S E R V I C E  
L O D G I N G I N D U S T R Y

*8th Annual Report  
1988 Edition*

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# THE U.S. ECONOMY/ LIMITED- SERVICE LODGING INDUSTRY: TODAY AND TOMORROW

by Daniel W. Daniele  
Senior Principal  
National Director,

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In 1987, overall room occupancy nationwide increased 1.4 percent from the 1986 level. Economy lodging properties also experienced an increase in room occupancy, registering a 1.3 percent increase from the 1987 level, according to Laventhol & Horwath's *National Trend of Business in the Lodging Industry* and *National Trend of Business - Economy/Limited-Service Lodging Industry*.\*

Occupancies at economy/limited-service properties over the past six years, compared with the lodging industry as a whole, are

shown in Table 1. Occupancies in the economy/limited-service sector have shown a steady decline from 1982 through 1986, but an increase in 1987. The industry as a whole, however, has shown more stability with slight increases and decreases during the past six years.

Table 1

Occupancy 1982-1987\*

| Year | Entire Lodging Industry | Economy/Limited-Service Properties |
|------|-------------------------|------------------------------------|
| 1982 | 64.6%                   | 65.6%                              |
| 1983 | 65.2                    | 65.3                               |
| 1984 | 65.9                    | 65.2                               |
| 1985 | 64.4                    | 64.0                               |
| 1986 | 64.7                    | 62.7                               |
| 1987 | 65.6                    | 63.5                               |

\*Because they are taken from different samples, figures from L&H's monthly *Trends* do not agree with those in the annual study, *U.S. Economy/Limited-Service Lodging Industry 1988*.

Last year's commentary predicted a slight increase in 1987 occupancies as demand began to catch up with the much slower or stalled expansion of newly constructed rooms. It appears that prediction was right on target. Occupancies in 1988 should be even better, as long as the country avoids a recession.

Room sales per occupied room reached \$33.61, a 3.6 percent increase from 1986. By comparison, sales in that category rose 3.8 percent to \$67.94 for the entire industry. This is the fourth consecutive year that room sales per occupied room for the lodging industry as a whole increased at a faster rate than those for the economy/limited-service properties.

## Top 50 Chains

The top 50 economy/limited-service lodging chains had a combined total of 5,042 properties and 498,800 rooms at the end of 1987. These actual numbers are lower than what the top 50 chains stated they would have open when surveyed last year. The chains fell short of their combined expectation by 255 properties and 17,300 rooms.

The actual growth from 1986 to 1987 was 606 properties and 67,300 rooms, or a growth of 13.7 percent and 15.6 percent respectively.



Conversion of existing properties to economy/limited-service accounted for about 33 percent of this growth. Therefore, of the 67,300 additional rooms available in 1987, only about 45,100 rooms were newly constructed.

Nine chains exceeded their one-year projections and two chains met their goals, as shown in Exhibit A. Days Inns opened 60 more properties and 6,900 more rooms than expected. Hospitality International, Comfort Inns, Knights Inns, La Quinta and Hampton Inns all exceeded their expectations. Best Inns, Budgetel Inns, Roadstar Inns, Signature Inns, and McIntosh Inns slightly exceeded or met their projections.

The chains in Exhibit B were overly optimistic about how many additional rooms they were going to add within the year. Travelodge, National 9, Econo Lodge, Super 8, HaPenny and Downtowner/Passport opened fewer rooms than anticipated. The remaining six chains listed also fell short of their one year goals, but probably for different reasons. Some of the franchised chains didn't add as many rooms as forecast because

franchisors removed an extraordinary number of existing franchisees that had failed property inspections.

The first six chains listed in Exhibit B are primarily franchise driven and, except for Super 8, also driven by growth through conversions. The bottom six are primarily driven by new development and, except for Shoney's, not franchise companies. Actually, Texian Inns shrank in size, as several properties underwent conversion to Comfort Inns and a Lexington Inn.

#### New Faces

A review of this year's top-50 list reveals some new additions and the absence of old names. Of the seven new chains listed, Arborgate Inns, Fairfield Inns and Country Hospitality Inns belong to much larger lodging organizations. Arborgate, a new lodging division of Cardinal Industries

of Columbus, Ohio which also owns and operates Knights Inns, debuts as number 31. Fairfield Inns, Marriott's entry into the economy/limited-service lodging sector, is the highest debuting chain at number 26. Country Hospitality Inns (number 43) is Carlson Companies' economy/limited-service chain entry. Economy Inns of America would have made last year's list, but was overlooked. It debuts this year as number 40. Cypress Inns, Franklin Inns and Luxbury Hotels just made the cut this year at 48, 49 and 50, respectively.

Chains dropped from this year's list include Sky light Inns, purchased by Travelodge in early 1988; Prime Rate Motels, purchased by Budgetel Inns in late 1987; Koala Inns, which did not want to be considered; Amberly Hotel Suites, converted to Quality Inns; and Wynfield Inns, a majority of which were converted to Comfort Inns this year. Travel Host and Select Inns did not make the required room cut-off.

#### Wave of Mergers

During the past two years, this publication has noted a trend toward mergers, consolidations and alliances. The following chains have either been absorbed by other



chains or have had parts of other chains join them by changing affiliation:

- Thrifty Scot to Days Inns
- Apple Inns to Motel 6
- Skylight Inns to Travelodge
- Rodeway Inns became part of Ramada, Inc.
- Parts of Budgeteers to Motel 6
- Parts of Cricket Inns to Days Inns
- Parts of Wynfield Inns to Comfort Inns
- Parts of Texian Inns to Comfort Inns
- Parts of Prime Rate to Budgetel Inns
- Luxury Budget/Wellesley Inns became part of Prime Motor Inns, Inc.

The momentum continues! Look for additional chains to be absorbed or consolidated this year.

The chains on the Top 50 list that are expected to have the greatest increase in ranking from 1987 to 1988 are Fairfield Inns by Marriott, which will rise 23 places; Arbogate Inns, 10 places and Country Hospitality Inns, seven places.

The chains expected to have the greatest decline from 1987 rankings are Cricket Inns, which will fall six places; Exel Inn, falling five places, and seven other chains dropping three ranking places.

The 10 chains that expect to add the most new rooms this year are listed in Exhibit C. They were the same ten as listed last year's, except for Hospitality International, which replaced National 9 on the list.

Days Inns again leads the list. It should be noted that eight of these are primarily franchise organizations, and a majority plan to pursue conversion of existing properties to continue their growth.

As shown in the table, these 10 chains are expected to add 71 percent of all the additional economy/limited-service rooms in 1988, or a total of 72,400 out of

102,200. Of the 72,400, 28,900 are expected to be conversions, which represents 40 percent of the 72,400 and 28 percent of 102,200. Five chains of this year's list of 10 fastest-growing chains exceeded their one-year projection from last year, while four overstated what they expected to have open. Rodeway Inns one-year projections from last year were provided by previous management and did not reflect its purchase by Ramada Inc.

In contrast, the 10 chains that expect no additional rooms or nominal growth are listed in Exhibit D. Five chains expect to add no more rooms to their system, two expect only 100 additional rooms and three expect 200 additional rooms.



## Top 50 outlook

It is anticipated that an additional 1,032 properties, representing 102,200 rooms, will soon become part of the top 50 chain inventory. The number of properties rose substantially from last year. Also, the number of rooms expected to open increased significantly with 17,600 more rooms projected than last year. It is important to note that the top 50 only opened 67,300 of the predicted 84,600 rooms in 1987.

The top 50 economy/limited-service chains missed last year's projections by a significant absolute number in terms of both rooms and properties. However, this year the chains have again stated optimistic estimates of growth.

The number of economy rooms is expected to increase 20.5 percent (102,200 additional rooms) in 1988 from 1987's total inventory. More than 36 percent, or 37,000 rooms, of these additions will come from conversions. This still means 65,000 newly constructed rooms will open in 1988. We'll have to wait until next year to see whether these new projections will be a reality or just another dream.

Additional chains will likely emerge on next year's list, including Microtel Inns, Wilson Inns, McSleep Inns and Carlton Lodges.

Laventhol & Horwath expresses its appreciation and thanks to those who contributed to this study. Their suggestions, comments and timely assistance have made the 1988 edition of *U.S. Economy/Limited-Service Lodging Industry* possible.

## Exhibit A

### Met Development Projections...

| Chain                     | Expected to be<br>Opened by 12/31/87 |               | Actually Opened<br>As of 1/1/88 |               | Exceeded or Met<br>One Year Projections |               |
|---------------------------|--------------------------------------|---------------|---------------------------------|---------------|-----------------------------------------|---------------|
|                           | # of<br>Properties                   | # of<br>Rooms | # of<br>Properties              | # of<br>Rooms | # of<br>Properties                      | # of<br>Rooms |
| Days Inns                 | 530                                  | 77,900        | 590                             | 84,800        | 60                                      | 6,900         |
| Hospitality International | 232                                  | 18,000        | 275                             | 23,800        | 43                                      | 5,800         |
| Comfort Inns              | 363                                  | 32,500        | 378                             | 33,700        | 15                                      | 1,200         |
| Knights Inns              | 152                                  | 16,700        | 159                             | 17,500        | 7                                       | 800           |
| La Quinta Motor Inns      | 194                                  | 24,500        | 199                             | 25,200        | 5                                       | 700           |
| Hampton Inns              | 147                                  | 18,900        | 152                             | 19,100        | 5                                       | 200           |
| Best Inns                 | 22                                   | 2,300         | 24                              | 2,500         | 2                                       | 200           |
| Budgetel Inns             | 55                                   | 5,700         | 56                              | 5,900         | 1                                       | 200           |
| Roadstar Inns             | 12                                   | 1,000         | 13                              | 1,100         | 1                                       | 100           |
| Signature Inns            | 20                                   | 2,400         | 20                              | 2,400         | —                                       | —             |
| McIntosh Inns             | 9                                    | 1,100         | 9                               | 1,100         | —                                       | —             |

Source: Laventhol & Horwath Survey 1987, 1988

## Exhibit C

### Ten Fastest-Growing Chains

#### Ranked by Number of Rooms Expected to Open in 1988

| Chain                           | Number of<br>Rooms To<br>be Added<br>In 1988 | Percentage<br>of Total<br>Additional<br>Rooms |
|---------------------------------|----------------------------------------------|-----------------------------------------------|
| 1) Days Inns                    | 21,400                                       | 20.9%                                         |
| 2) Comfort Inns                 | 9,700                                        | 9.5                                           |
| 3) Super 8 Motels               | 7,100                                        | 6.9                                           |
| 4) Econo Lodges                 | 6,800                                        | 6.6                                           |
| 5) Travelodge                   | 5,600                                        | 5.5                                           |
| 6) Hampton Inn                  | 4,900                                        | 4.8                                           |
| 7) Hospitality<br>International | 4,800                                        | 4.7                                           |
| 8) Motel 6                      | 4,600                                        | 4.5                                           |
| 9) Knights Inn                  | 4,000                                        | 3.9                                           |
| 10) Rodeway Inn                 | 3,500                                        | 3.4                                           |

Source: Laventhol & Horwath Survey

## Exhibit B

### ...Didn't

| Chain                        | Expected to be<br>Opened by 12/31/87 |               | Actually Opened<br>As of 1/1/88 |               | Under One Year<br>Projection By<br>More Than 700 Rooms |               |
|------------------------------|--------------------------------------|---------------|---------------------------------|---------------|--------------------------------------------------------|---------------|
|                              | # of<br>Properties                   | # of<br>Rooms | # of<br>Properties              | # of<br>Rooms | # of<br>Properties                                     | # of<br>Rooms |
| Travelodge                   | 496                                  | 38,800        | 446                             | 35,900        | (50)                                                   | (2900)        |
| National 9 Inns              | 156                                  | 8,600         | 105                             | 5,800         | (51)                                                   | (2800)        |
| Econo Lodges                 | 451                                  | 36,200        | 415                             | 33,600        | (36)                                                   | (2600)        |
| Super 8                      | 512                                  | 32,700        | 489                             | 31,100        | (23)                                                   | (1600)        |
| Ha Penny                     | 44                                   | 4,700         | 30                              | 3,400         | (14)                                                   | (1300)        |
| Downtowner/<br>Passport Inns | 49                                   | 4,300         | 35                              | 3,000         | (14)                                                   | (1300)        |
| Imperial Inns                | 65                                   | 4,300         | 54                              | 3,300         | (11)                                                   | (1000)        |
| Shoney's Inns                | 48                                   | 6,100         | 43                              | 5,100         | ( 5)                                                   | (1000)        |
| Red Roof                     | 186                                  | 20,300        | 178                             | 19,500        | ( 8)                                                   | ( 800)        |
| Texian Inns                  | 18                                   | 2,100         | 11                              | 1,300         | ( 7)                                                   | ( 800)        |
| Allstar Inns                 | 76                                   | 8,100         | 69                              | 7,300         | ( 7)                                                   | ( 800)        |
| Motel 6                      | 440                                  | 49,500        | 431                             | 48,800        | ( 9)                                                   | ( 700)        |

Source: Laventhol & Horwath Survey

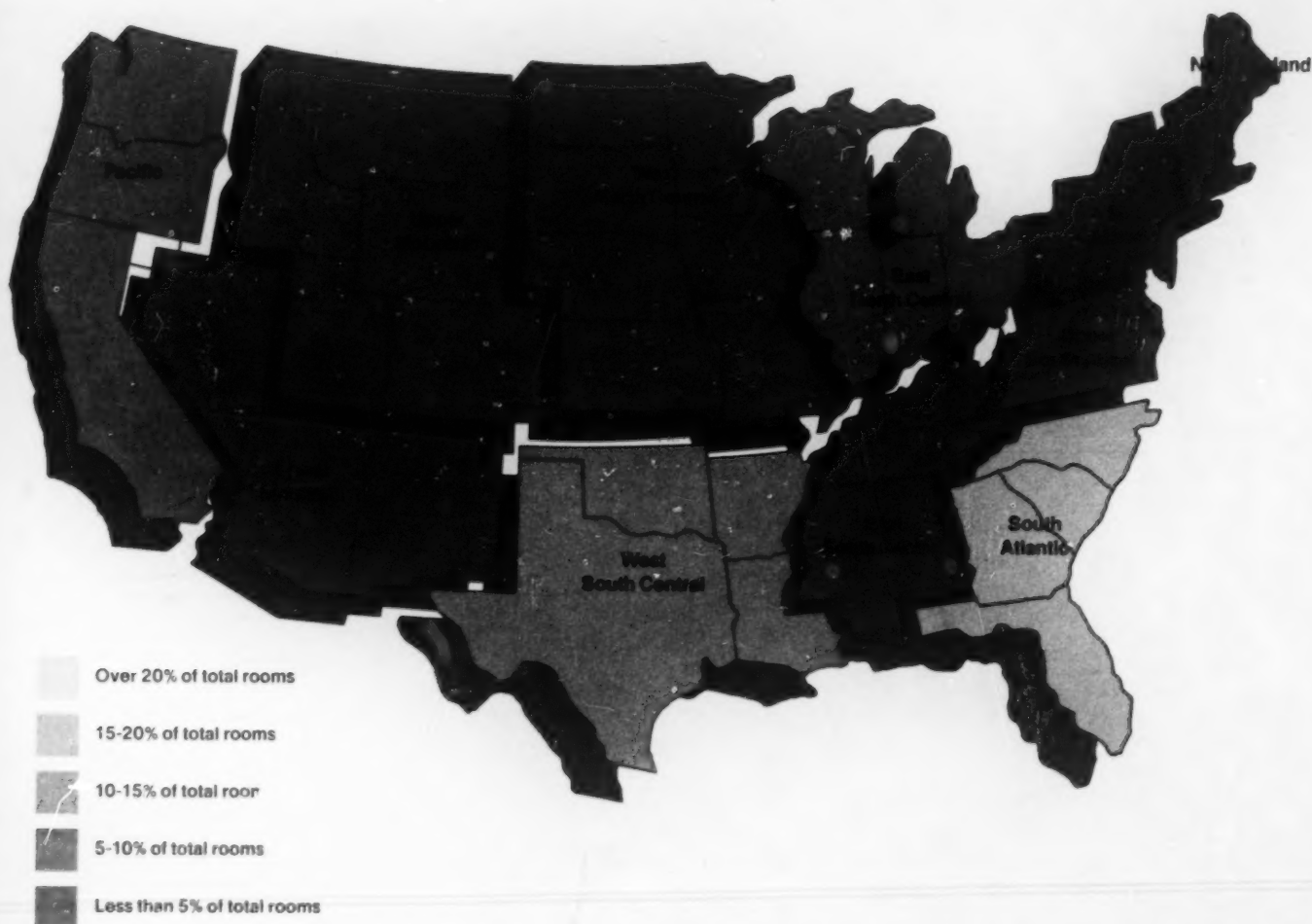
Note: Rodeway Inns' projections were done by previous owners and therefore not considered in the above table.

## Exhibit D

### Ten Slowest Or No-Growth Chains (Ranked by Number of Rooms Expected to Open in 1988)

| Chain             | Number of Rooms<br>To be Added<br>In 1988 |
|-------------------|-------------------------------------------|
| 41) Cricket Inns  | 200                                       |
| 42) Cypress Inns  | 200                                       |
| 43) Franklin Inns | 200                                       |
| 44) Family Inns   | 100                                       |
| 45) McIntosh Inns | 100                                       |
| 46) Exel Inns     | 0                                         |
| 47) Regal 8       | 0                                         |
| 48) Envoy Inns    | 0                                         |
| 49) Roadstar Inns | 0                                         |
| 50) Texian Inns   | 0                                         |

Source: Laventhol & Horwath Survey



### Geographic Concentration Legend

| Region                     | States               |
|----------------------------|----------------------|
| New England (NE)           | ME,NH,VT,MA,CT,RI    |
| Mid Atlantic (MA)          | NY,NJ,PA             |
| Upper South Atlantic (USA) | MD,DE,WV,VA          |
| South Atlantic (SA)        | FL,GA,NC,SC          |
| East North Central (ENC)   | IL,IN,OH,MI,WI       |
| East South Central (ESC)   | AL,KY,MS,TN          |
| West North Central (WNC)   | IA,KS,MN,MO,NB,ND,SD |
| West South Central (WSC)   | AR,LA,OK,TX          |
| Upper Mountain (UM)        | CO,ID,MT,UT,WY       |
| Lower Mountain (LM)        | AZ,NV,NM             |
| Pacific (P)                | CA,OR,WA             |

# Top 50 U.S. Economy Limited-Service Lodging Chains

| Rank<br>1987 | Rank<br>1988 | Chain Name/<br>Headquarters<br>Location                                                                                                                               | Ownership<br>Structure |                       | As of<br>January 1, 1988 |                    | Expected<br>to be opened by<br>December 31, 1988 |                    | Estimated 1987<br>Annual    |                    |                                  | Geographic<br>Areas                                 | Published<br>Room Rate Ranges |          | Member<br>of AH&MA<br>Economy<br>Lodging<br>Council |
|--------------|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-----------------------|--------------------------|--------------------|--------------------------------------------------|--------------------|-----------------------------|--------------------|----------------------------------|-----------------------------------------------------|-------------------------------|----------|-----------------------------------------------------|
|              |              |                                                                                                                                                                       | Percent<br>Company     | Percent<br>Franchised | Number of<br>Properties  | Number of<br>Rooms | Number of<br>Properties                          | Number of<br>Rooms | Average<br>Property<br>Size | Occupancy<br>Range | Average<br>Daily<br>Room<br>Rate |                                                     |                               |          |                                                     |
|              |              |                                                                                                                                                                       |                        |                       |                          |                    |                                                  |                    |                             |                    |                                  |                                                     | Single                        | X-Person |                                                     |
| 1            | 1            | Days Inns of America<br>John Snodgrass, Senior Vice<br>President<br>2751 Buford Highway N.E.<br>Atlanta, GA 30324<br>404-325-4000, 800-325-2525                       | 12%                    | 88%                   | 590                      | 84,800             | 753                                              | 106,200            | 141                         | 63-68%             | \$35-40                          | National                                            | \$18-109                      | \$3-10   | No                                                  |
| 2            | 2            | Motel 6, LP<br>Joseph W. McCarthy,<br>President & CEO<br>14651 Dallas Parkway<br>Dallas, TX 75240<br>214-386-6161, 505-891-6161                                       | 100%                   | 0%                    | 431                      | 48,800             | 463                                              | 53,400             | 115                         | 70-75%             | \$20-25                          | National                                            | \$17.95-28.95                 | \$6      | Yes                                                 |
| 4            | 3            | Comfort Inns<br>Frederick W. Mosser<br>Senior Vice President<br>Quality International<br>10750 Columbia Pike<br>Silver Spring, MD 20901<br>301-236-5080, 800-228-5150 | 0%                     | 100%                  | 378                      | 33,700             | 480                                              | 43,400             | 90                          | 65-70%             | \$37-42                          | National                                            | \$30-50                       | \$4-6    | Yes                                                 |
| 3            | 4            | Travelodge<br>Jere M. Hooper<br>Senior Vice President<br>1973 Friendship Drive<br>El Cajon, CA 92020<br>619-448-1884, 800-255-3050                                    | 50%                    | 50%                   | 446                      | 35,900             | 514                                              | 41,500             | 81                          | Not<br>Provided    | Not<br>Provided                  | National                                            | \$22-65                       | \$5      | Yes                                                 |
| 5            | 5            | Econo Lodges of America<br>Amy K. King, Vice President<br>6135 Park Road<br>Charlotte, NC 28210<br>704-554-0088, 800-446-6900                                         | 3%                     | 97%                   | 415                      | 33,600             | 490                                              | 40,400             | 82                          | 65-70%             | \$32-37                          | National                                            | \$20-75                       | \$3-5    | Yes                                                 |
| 6            | 6            | Super 8 Motels<br>Joan Ganje-Fischer, Vice President<br>1910 8th Avenue, N.E.<br>Aberdeen, SD 57401<br>605-225-2272, 800-843-1960                                     | 7%                     | 93%                   | 489                      | 31,100             | 599                                              | 38,200             | 64                          | 65-70%             | \$30-35                          | National                                            | \$18.88-55.88                 | \$4-5    | Yes                                                 |
| 8            | 7            | Hospitality International<br>Richard H. Rogers, President<br>1152 Spring Street, Suite A<br>Atlanta, GA 30309<br>404-873-5924, 800-251-2962                           | 0%                     | 100%                  | 275                      | 23,800             | 325                                              | 28,600             | 88                          | 62-68%             | \$35-40                          | NE, MA,<br>USA, SA,<br>ENC, ESC,<br>WNC, WSC,<br>LM | \$25-85                       | \$2-10   | Yes                                                 |
| 7            | 8            | La Quinta Motor Inns<br>Robert R. Moore<br>Executive Vice President<br>P.O. Box 790064<br>San Antonio, TX 78279-0064<br>512-366-6000, 800-531-5900                    | 96%                    | 4%                    | 199                      | 25,200             | 201                                              | 25,500             | 127                         | 60-65%             | \$35-40                          | National,<br>except for<br>NE                       | \$29-58                       | \$5      | Yes                                                 |
| 10           | 9            | Hampton Inns<br>Raymond E. Schultz<br>President & CEO<br>6799 Great Oaks Road, Suite 100<br>Memphis, TN 38138-2571<br>901-756-2811, 800-HAMPTON                       | 12%                    | 88%                   | 152                      | 19,100             | 192                                              | 24,000             | 125                         | 64-69%             | \$36-41                          | National                                            | \$29-68                       | \$5      | Yes                                                 |
| 9            | 10           | Red Roof Inns<br>William J. Denk, President<br>4355 Davidson Road<br>Hilliard, OH 43026-9699<br>614-876-3200, 800-948-7878                                            | 100%                   | 0%                    | 178                      | 19,500             | 199                                              | 21,800             | 110                         | 77-82%             | Not<br>Provided                  | NE, MA,<br>USA, SA,<br>ENC, ESC,<br>WNC, WSC        | \$22.95-39.95                 | \$6      | Yes                                                 |
| 12           | 11           | Knights Inn<br>Arthur W. Stiles, President<br>2255 Kimberly Parkway<br>Columbus, OH 43232<br>614-755-6230                                                             | 99%                    | 1%                    | 159                      | 17,500             | 195                                              | 21,500             | 110                         | 70-75%             | \$32-37                          | MA, USA,<br>SA, ENC,<br>ESC                         | \$28.50-45.50                 | \$5      | Yes                                                 |
| 11           | 12           | Rodeway Inns International<br>Robert F. Fitzgerald<br>Senior Vice President<br>3838 E. Van Buren<br>Phoenix, AZ 85008<br>602-273-4550, 800-228-2000                   | 0%                     | 100%                  | 150                      | 17,600             | 180                                              | 21,100             | 117                         | 50-55%             | \$32-37                          | WSC, UM,<br>LM, SA, P                               | \$32-60                       | \$4-8    | Yes                                                 |
| 13           | 13           | Allstar Inns<br>Edward J. Gallagher, President<br>2020 De La Vina Street<br>Santa Barbara, CA 93130-3070<br>805-687-3383                                              | 100%                   | 0%                    | 69                       | 7,300              | 79                                               | 8,400              | 106                         | 70-75%             | \$25-30                          | LM, WSC, P                                          | \$18-29                       | \$4      | No                                                  |
| 16           | 14           | National 9 Inns<br>Rod Jensen, President<br>9010 Soquel Drive, Suite C<br>Aptos, CA 95003<br>408-688-3382, CA 800-521-9999<br>US 800-524-9999                         | 0%                     | 100%                  | 105                      | 5,800              | 155                                              | 8,100              | 52                          | Not<br>Provided    | Not<br>Provided                  | SA, P, WSC                                          | \$20-33                       | \$4      | No                                                  |
| 15           | 15           | Budgetel Inns<br>Michael P. Lepson<br>Director of Marketing<br>212 W. Wisconsin Avenue<br>Milwaukee, WI 53203<br>414-272-6020, 800-4-BUDGET                           | 92%                    | 8%                    | 56                       | 5,900              | 70                                               | 7,400              | 105                         | 78-83%             | \$31-36                          | SA, ENC,<br>ESC, WNC,<br>WSC                        | \$24.95-38.95                 | \$5      | Yes                                                 |

# Top 50 U.S. Economy Limited-Service Lodging Chains

| Rank<br>1987 | Rank<br>1988 | Chain Name/<br>Headquarters<br>Location                                                                                                                             | Ownership<br>Structure |                       | As of<br>January 1, 1988 |                    | Expected<br>to be opened by<br>December 31, 1988 |                    | Estimated 1987<br>Annual    |                    |                                  | Geographic<br>Areas                            | Published<br>Room Rate Ranges |          | Member<br>of AH&MA<br>Economy<br>Lodging<br>Council |
|--------------|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-----------------------|--------------------------|--------------------|--------------------------------------------------|--------------------|-----------------------------|--------------------|----------------------------------|------------------------------------------------|-------------------------------|----------|-----------------------------------------------------|
|              |              |                                                                                                                                                                     | Percent<br>Company     | Percent<br>Franchised | Number of<br>Properties  | Number of<br>Rooms | Number of<br>Properties                          | Number of<br>Rooms | Average<br>Property<br>Size | Occupancy<br>Range | Average<br>Daily<br>Room<br>Rate |                                                | Single                        | X-Person |                                                     |
| 14           | 16           | Friendship Inns International<br>Joe Mathis, Vice President<br>2627 Paterson Plank Road<br>North Bergen, NJ 07047<br>201-863-3443, 800-453-4511                     | 0%                     | 100%                  | 120                      | 6,000              | 140                                              | 6,800              | 49                          | 63-75%             | Not<br>Provided                  | National                                       | \$25-45                       | \$5      | Yes                                                 |
| 17           | 17           | Sixpence Inns of America<br>Donald E. Sodaro, President<br>1751 E. Garry Avenue<br>Santa Ana, CA 92705<br>714-250-1922                                              | 100%                   | 0%                    | 48                       | 5,500              | 54                                               | 6,300              | 116                         | 80-85%             | \$25-30                          | ENC, MA,<br>LM, P                              | \$25-30                       | \$4      | No                                                  |
| 20           | 18           | Shoney's Inns<br>James M. Grout, Vice President<br>1727 Elm Hill Pike<br>Nashville, TN 37210<br>615-391-9260, 800-222-2222                                          | 10%                    | 90%                   | 43                       | 5,100              | 51                                               | 6,000              | 118                         | 65-70%             | \$32-37                          | USA, SA,<br>ENC, ESC,<br>WNC, WSC              | \$27-61                       | \$3-6    | Yes                                                 |
| 19           | 19           | Drury Inns<br>Chuck Drury, President<br>10801 Pear Tree Lane<br>St. Ann, MO 63074<br>314-429-2255, 800-325-8300                                                     | 100%                   | 0%                    | 49                       | 5,300              | 52                                               | 5,700              | 110                         | Not<br>Provided    | Not<br>Provided                  | ENC, WNC,<br>ESC, WSC,<br>UM                   | \$30-55                       | \$4-6    | No                                                  |
| 22           | 20           | Vagabond Inns<br>B. Clyde Billman, Vice President<br>6170 Cornerstone Court East<br>San Diego, CA 92121<br>619-455-1800, 800-522-1555                               | 100%                   | 0%                    | 43                       | 3,400              | 59                                               | 5,600              | 95                          | 65-70%             | \$40-45                          | LM, P                                          | \$29-60                       | \$6      | No                                                  |
| 18           | 21           | Regal Inn<br>D. Bruce Geary, President<br>800 South 45th Street<br>Mt. Vernon, IL 62864<br>618-242-7240, 800-851-8888                                               | 100%                   | 0%                    | 53                       | 5,400              | 53                                               | 5,400              | 102                         | Not<br>Provided    | Not<br>Provided                  | SA, ENC,<br>ESC, WNC,<br>WSC, UM,<br>LM        | \$23.88-29.88                 | \$5      | Yes                                                 |
| 21           | 22           | Susse Chalet<br>Fred B. Roedel, President<br>Chalet Drive<br>Wilton, NH 03086<br>603-654-2000, 800-258-1980                                                         | 86%                    | 14%                   | 35                       | 3,700              | 43                                               | 4,600              | 106                         | 80-85%             | \$30-40                          | NE, MA,<br>USA                                 | \$33-45                       | \$4      | No                                                  |
| 23           | 23           | Ha-Penny<br>Joseph Mazzola<br>Franchise Director<br>638 S. Glassell St., Suite 100<br>Orange, CA 92666<br>714-639-0810, 800-854-6111                                | 83%                    | 17%                   | 30                       | 3,400              | 42                                               | 4,200              | 101                         | 75-80%             | \$35-40                          | P                                              | \$30-48                       | \$5      | No                                                  |
| 26           | 24           | Downtowner-Passport International<br>Terry E. Graham, President<br>454 Moss Trail<br>Goodlettsville, TN 37072<br>615-859-4522, 800-238-6161                         | 0%                     | 100%                  | 35                       | 3,000              | 45                                               | 4,000              | 89                          | 60-65%             | \$40-45                          | SA, ESC,<br>WSC                                | \$20-40                       | \$4-5    | No                                                  |
| 24           | 25           | Imperial Inns<br>Kilgallon L. Howard, COO<br>1000 Wilson Blvd., Suite 520<br>Arlington, VA 22209<br>703-524-4880, 800-368-4400                                      | 100%                   | 0%                    | 54                       | 3,300              | 57                                               | 3,700              | 65                          | Not<br>Provided    | \$32-37                          | MA, USA,<br>SA, ENC,<br>WNC, WSC,<br>UM, LM, P | \$22-60                       | \$5      | Yes                                                 |
| 49           | 26           | Fairfield Inns by Marriott<br>Mike Rutter, Vice President &<br>General Manager<br>Marriott Drive—Dept. 843.01<br>Washington, DC 20058<br>301-571-8514, 800-226-2600 | 100%                   | 0%                    | 2                        | 300                | 26                                               | 3,500              | 133                         | Not<br>Provided    | Not<br>Provided                  | SA, ENC,<br>ESC                                | \$27.95-37.95                 | \$5      | No                                                  |
| 25           | 27           | Lexington Hotel Suites<br>Ricky A. Wilkins, President & CEO<br>3501 N. MacArthur Blvd.<br>Irving, TX 75062<br>214-659-0220, 800-53-SUITE                            | 33%                    | 67%                   | 21                       | 3,200              | 24                                               | 3,500              | 148                         | 70-75%             | \$45-50                          | ESC, WSC,<br>LM, P, SA                         | \$50-55                       | \$5      | No                                                  |
| 27           | 28           | L.K. Motels/Country Hearth<br>Ronald L. Devine, President<br>1125 Ellen Kay Drive<br>Marion, OH 43302<br>614-387-0300, OH 800-282-5711<br>US 800-848-5767           | 94%                    | 6%                    | 54                       | 3,000              | 59                                               | 3,400              | 58                          | 61-66%             | \$32-37                          | ENC                                            | \$27-58                       | \$4-6    | Yes                                                 |
| 31           | 29           | Shilo Inns<br>Linda Burt, Director of Marketing<br>11600 S.W. Barnes Road<br>Portland, OR 97225<br>503-641-6565, 800-222-2244                                       | 100%                   | 0%                    | 21                       | 2,900              | 25                                               | 3,300              | 132                         | Not<br>Provided    | Not<br>Provided                  | UM, LM, P                                      | \$29-69                       | \$5-10   | No                                                  |
| 25           | 30           | Exel Inns of America<br>David G. Stauffer, President<br>4706 E. Washington Ave.<br>Madison, WI 53704<br>608-241-5271, 800-336-8013                                  | 100%                   | 0%                    | 28                       | 3,200              | 28                                               | 3,200              | 116                         | 60-65%             | \$25-30                          | ENC, WNC,<br>WSC                               | \$24-37                       | \$5      | No                                                  |
| 41           | 31           | Arborsgate Inn<br>Arthur W. Shies, President<br>2255 Kimberly Parkway<br>Columbus, OH 43232<br>614-755-6230                                                         | 90%                    | 10%                   | 19                       | 1,400              | 49                                               | 3,200              | 65                          | 70-75%             | \$33-38                          | USA, SA,<br>ENC, ESC                           | \$29.95-35.95                 | \$5      | Yes                                                 |

## Top 50 U.S. Economy Limited-Service Lodging Chains

| Rank<br>1987 | Rank<br>1988 | Chain Name/<br>Headquarters<br>Location                                                                                                                                            | Ownership<br>Structure |                       | As of<br>January 1, 1988 |                    | Expected<br>to be opened by<br>December 31, 1988 |                    | Estimated 1987<br>Annual    |                    | Geographic<br>Areas | Published<br>Room Rate Ranges |          | Member<br>of AH&MA<br>Economy<br>Lodging<br>Council |
|--------------|--------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-----------------------|--------------------------|--------------------|--------------------------------------------------|--------------------|-----------------------------|--------------------|---------------------|-------------------------------|----------|-----------------------------------------------------|
|              |              |                                                                                                                                                                                    | Percent<br>Company     | Percent<br>Franchised | Number of<br>Properties  | Number of<br>Rooms | Number of<br>Properties                          | Number of<br>Rooms | Average<br>Property<br>Size | Occupancy<br>Range |                     | Single                        | X-Person |                                                     |
| 29           | 32           | Family Inns of America<br>Karen A. Seaton, Executive<br>Administrative Assistant<br>P.O. Box 10<br>Pigeon Forge, TN 37863<br>614-453-1240, 800-251-9752                            | 70%                    | 30%                   | 33                       | 3,000              | 34                                               | 3,100              | 91                          | 70-75%             | ESC, SA             | \$15.77-45.77                 | \$3-5    | Yes                                                 |
| 30           | 33           | E-Z 8 Motels, Inc.<br>Michael Morris, Controller<br>2484 Hotel Circle Place<br>San Diego, CA 92108<br>619-291-4824                                                                 | 100%                   | 0%                    | 32                       | 2,900              | 34                                               | 3,100              | 90                          | 80-85%             | LM, P               | \$17.88-32.88                 | \$3      | No                                                  |
| 32           | 34           | Best Inns of America<br>Lynn Brewer, Vice President<br>R.R. 3, P.O. Box 1719<br>Marion, IL 62959-7719<br>618-997-5454, 800-BEST INN                                                | 62%                    | 38%                   | 24                       | 2,500              | 30                                               | 3,100              | 102                         | 72-77%             | MA, SA,<br>ENC, WNC | \$28.88-49.88                 | \$4-6    | No                                                  |
| 35           | 35           | Travelers Inns<br>Jack B. Campbell, President<br>2701 E. Chapman Ave., Suite 210<br>Fullerton, CA 92631<br>714-773-0555                                                            | 100%                   | 0%                    | 19                       | 2,400              | 25                                               | 3,100              | 124                         | 65-70%             | WSC, UM<br>LM, P    | \$20-75                       | \$5-10   | No                                                  |
| 36           | 36           | Luxury Budget Wellesley Inns<br>Patrick M. Guarini, Principal<br>David M. Epstein, Principal<br>P.O. Box W, Routes 6 & 11<br>Clerks Summit, PA 18411<br>717-568-1141, 800-441-4479 | 100%                   | 0%                    | 25                       | 2,200              | 33                                               | 3,000              | 91                          | 85-90%             | MA, USA,<br>SA      | \$30-50                       | \$5      | Yes                                                 |
| 34           | 37           | Signature Inns<br>John Bontreger, President<br>941 E. 86th St., Suite 213<br>Indianapolis, IN 46240<br>317-253-2797, 800-822-5252                                                  | 100%                   | 0%                    | 20                       | 2,400              | 25                                               | 3,000              | 120                         | 70-75%             | ENC, ESC            | \$41-43                       | \$6-7    | No                                                  |
| 38           | 38           | Cross Country Inns<br>Thomas F. Benadum, President<br>6077 Frantz Road<br>Dublin, OH 43017<br>614-766-0037, 800-621-1429                                                           | 100%                   | 0%                    | 17                       | 2,000              | 25                                               | 3,000              | 120                         | Not<br>Provided    | ENC                 | \$29.45-34.45                 | \$5      | No                                                  |
| 33           | 39           | Cricket Inns<br>William D. Turner<br>Executive Vice President<br>P.O. Box 10888<br>Winston-Salem, NC 27108<br>919-722-2262, 800-872-1808                                           | 85%                    | 15%                   | 20                       | 2,500              | 22                                               | 2,700              | 124                         | 70-75%             | USA, SA,<br>ESC     | \$23.88-33.88                 | \$5      | Yes                                                 |
| 37           | 40           | Economy Inns of America<br>Paul Steinberg, Controller<br>2775 Vin De La Valley, Suite 204<br>Del Mar, CA 92014<br>619-481-7772, FL 800-423-3018<br>US 800-626-0776                 | 100%                   | 0%                    | 19                       | 2,200              | 22                                               | 2,600              | 117                         | 60-65%             | SA, P               | \$18.80-60                    | \$2-10   | No                                                  |
| 40           | 41           | Dillon Inns<br>Robert M. Wagner, CEO<br>900 E. 79th Street<br>Minneapolis, MN 55420<br>612-854-2885, MN 800-345-5661<br>US 800-253-7503                                            | 100%                   | 0%                    | 13                       | 1,600              | 16                                               | 2,000              | 127                         | 65-70%             | ENC, WNC<br>WSC, UM | \$38-55                       | \$6      | Yes                                                 |
| 39           | 42           | Envoy Inns<br>Ted H. Steilen, CEO<br>14 East Gay Street<br>Columbus, OH 43215<br>614-469-1200, 800-227-REST                                                                        | 100%                   | 0%                    | 17                       | 1,900              | 17                                               | 1,900              | 114                         | 69-74%             | MA, ENC             | \$25-32                       | \$5      | No                                                  |
| 50           | 43           | Country Hospitality Inns<br>John P. Olsen, Senior Vice President<br>7800 Metro Parkway, Suite 309<br>Minneapolis, MN 55425<br>612-854-3587, 800-456-4000                           | 50%                    | 50%                   | 2                        | 200                | 22                                               | 1,800              | 84                          | 60-65%             | ENC                 | \$34.95                       | \$5      | Yes                                                 |
| 42           | 44           | Texian Inns<br>Jerry T. Kimbrough, President<br>800 IH-10 West, Suite 1500<br>San Antonio, TX 78230<br>512-349-9595, 800-531-1000                                                  | 0%                     | 100%                  | 11                       | 1,300              | 11                                               | 1,300              | 115                         | 55-60%             | WSC                 | \$45                          | \$5      | No                                                  |
| 44           | 45           | McIntosh Inns<br>John S. Middleton, President<br>440 Fehleley Drive<br>King of Prussia, PA 19406<br>215-279-6000                                                                   | 100%                   | 0%                    | 9                        | 1,100              | 10                                               | 1,200              | 120                         | Not<br>Provided    | MA                  | \$39.95                       | \$3      | Yes                                                 |
| 43           | 46           | Roadstar Inns<br>Mildred Everson<br>Operations Manager<br>2615 W. Beltline Hwy<br>Madison, WI 53713                                                                                | 87%                    | 13%                   | 13                       | 1,100              | 13                                               | 1,100              | 85                          | Not<br>Provided    | ENC                 | \$27-34                       | \$6      | No                                                  |

## Top 50 U.S. Economy Limited-Service Lodging Chains

| Rank<br>1987 1988 | Chain Name/<br>Headquarters<br>Location                                                                                                                          | Ownership<br>Structure |                       | As of<br>January 1, 1988 |                       | Expected<br>to be opened by<br>December 31, 1988 |                       | Estimated 1987<br>Annual    |                    |                                  | Geographic<br>Areas | Published<br>Room Rate Ranges |          | Member<br>of AH&MA<br>Economy<br>Lodging<br>Council |
|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-----------------------|--------------------------|-----------------------|--------------------------------------------------|-----------------------|-----------------------------|--------------------|----------------------------------|---------------------|-------------------------------|----------|-----------------------------------------------------|
|                   |                                                                                                                                                                  | Percent<br>Company     | Percent<br>Franchised | Number of<br>Properties  | Number<br>of<br>Rooms | Number of<br>Properties                          | Number<br>of<br>Rooms | Average<br>Property<br>Size | Occupancy<br>Range | Average<br>Daily<br>Room<br>Rate |                     | Single                        | X-Person |                                                     |
|                   |                                                                                                                                                                  |                        |                       |                          |                       |                                                  |                       |                             |                    |                                  |                     |                               |          |                                                     |
| 45 47             | Lees Inns of America, Inc.<br>Lester L. Lee, President<br>130 North State Street<br>North Vernon, IN 47265<br>812-346-5072, 800-822-9700                         | 100%                   | 0%                    | 8                        | 500                   | 14                                               | 1,000                 | 71                          | 70-75%             | \$40-45                          | ENC                 | \$39-49                       | \$5      | No                                                  |
| 46 48             | Cypress Inns<br>Ruth Sireba, Director of Operations<br>2315 S.E. Stark Street<br>Portland, OR 97216<br>503-252-1478, OR 800-445-4205<br>US 800-225-4205          | 100%                   | 0%                    | 5                        | 500                   | 7                                                | 700                   | 100                         | 60-65%             | \$40-45                          | P                   | \$40-70                       | \$5      | No                                                  |
| 47 49             | Franklin Inns<br>Matthew F. Bensen<br>Senior Vice President<br>The Calvert Companies, Inc.<br>12658-60A Lake Ridge Drive<br>Woodbridge, VA 22192<br>703-490-1500 | 100%                   | 0%                    | 4                        | 500                   | 6                                                | 700                   | 116                         | 80-85%             | \$45-55                          | MA                  | \$49-59                       | \$6      | No                                                  |
| 48 50             | Luxbury Hotels<br>Matthew R. Dunaj Jr., President<br>11161 Deerfield Rd.<br>Cincinnati, OH 45242<br>513-891-8966                                                 | 100%                   | 0%                    | 4                        | 300                   | 6                                                | 600                   | 100                         | 62-67%             | \$35-40                          | SA, ENC,<br>ESC     | \$36-41                       | \$6      | No                                                  |
| Total             |                                                                                                                                                                  |                        |                       | 5,042                    | 498,800               | 6,074                                            | 601,000               | 99                          |                    |                                  |                     |                               |          |                                                     |

|                            |                        | Geographic Areas Legend  |                            |                     |                    |
|----------------------------|------------------------|--------------------------|----------------------------|---------------------|--------------------|
| Region                     | States                 | Region                   | States                     | Region              | States             |
| New England (NE)           | ME, NH, VT, MA, CT, RI | East North Central (ENC) | IL, IN, OH, MI, WI         | Upper Mountain (UM) | CO, ID, MT, UT, WY |
| Mid Atlantic (MA)          | NY, NJ, PA             | East South Central (ESC) | AL, KY, MS, TN             | Lower Mountain (LM) | AZ, NV, NM         |
| Upper South Atlantic (USA) | MD, DE, WV, VA         | West North Central (WNC) | IA, KS, MN, MO, NE, ND, SD | Pacific (P)         | AK, CA, HI, OR, WA |
| South Atlantic (SA)        | FL, GA, NC, SC         | West South Central (WSC) | AR, LA, OK, TX             |                     |                    |

Ranked by number of rooms; all room totals rounded to nearest hundred. Source: Lavenol & Horwath Survey

## DATA ANALYSIS

by Kathleen R. Daily  
Research Division

This is Laventhol & Horwath's eighth annual in-depth analysis of the U.S. economy/limited-service lodging industry. This study provides a statistical analysis of the industry's operating characteristics for the preceding year and is useful in analyzing trends in revenue and expenses over successive time periods. The ratios and amounts reported may be used for comparing operating results for properties with similar characteristics. These operating results should be used as a statistical base for comparative purposes only. They are not an attempt by L&H to set or conform prices or operating ratios for the economy/limited-service lodging industry.

After careful analysis for reasonableness and accuracy, a representative sample of 233 economy/limited-service lodging properties throughout the U.S. was used to compile data for this study. Operating results are presented as medians, means and upper and lower quartiles. Results for each line item have been analyzed individually and are based only on those establishments providing data. Readers interested in a further explanation of medians and quartiles should refer to "Understanding Medians" on page 36. All terminology and account titles are derived from the *Uniform System of Accounts for Small Hotels and Motels*, published by the American Hotel & Motel Association (AH&MA).

The economy/limited-service segment continues to experience explosive growth and consistently outperforms its full-service competitors when it comes to profitability. The economy segment now accounts for 18 to 20 percent of all rooms in the U.S. lodging industry. Economy properties generally do not include restaurants (which can lower profitability), plush lobbies and unprofitable amenities. This often allows them to break even with occupancy rates between 52 percent and 55 percent, about 10 to 12 occupancy points below the level at which full-service properties break even. Traditionally, economy lodging has been defined to include properties with modern, fully furnished rooms, without food and beverage facilities on the premises and with rates 20 to 50 percent below the average market rates.

The following general profile of the typical contributing property is based on various measures of central tendency. The typical property participating in this year's study has between 100 and 125 rooms with an average room rate ranging from \$23 to \$34.50. Yearly occupancy falls between 55 percent and 70 percent, and the annual sales volume ranges from \$500,000 to \$1 million.

One highlight in the economy/limited-service industry in 1987 is that room occupancy for all establishments decreased 1.5 percent from 1986 to 65.3 percent. This figure is consistent with the total occupancy for the U.S. lodging industry of 65.3 percent. However, the median average room rate increased to \$30.69, an increase of 5.7 percent, with sales per available room totaling \$7,700 in 1987. Payroll and related expenses per available room decreased from \$1,598 in 1986 to \$1,274 in 1987. Finally, contributing properties reported a median net income before income taxes as a ratio to total sales of 13.6 percent, compared with the previous year's figure of 20.8 percent.



Since last year's results uncovered increased interest in technological characteristics and property automation, we made some additions to this year's questionnaire. Response results showed that economy hotels now offer a wider variety of in-room entertainment systems. The number of properties offering such services as Hi-Net, Comsat, Spectradyn and the Movie Channel increased significantly. Hi-Net was offered in 14.1 percent of the properties surveyed, Spectradyn in 8.7 percent, the Movie Channel in 7.6 percent and Comsat in 4.4 percent. As a result of these new services, some of the other cable channels have experienced greater competition. HBO availability in responding economy properties dropped to 29.4 percent, a decrease of more than 48 percent from 1986.

In 1987, more responding properties (95.4 percent) stated that they provided fire detectors in the rooms; this figure increased from 95.1 percent in 1986. The use of computerized reservations systems increased 18 percent from last year to 43.7 percent. However, usage of computerized accounting systems dropped 25 percent to 32.2 percent in 1987. Additionally, 3.5 percent of the properties surveyed have microcomputers available for guest use.

An analysis of the industry dollar for 1987 shows that 97.1 percent of each dollar earned came from guest room rentals, representing a 1 percent increase from 1986. Minor operated departments experienced a decline from 2.3 percent to 1.2 percent in 1987.

  
*"By the late  
1950s and the  
early 1960s,  
hotels began to  
be associated  
with company  
names, rather  
than general  
managers'  
names."*

Telephone sales increased slightly to 1.7 percent of each dollar earned.

Once again, the largest portion of each dollar (22.9 percent) went toward payroll and related expenses, exhibiting a 2.2 percent increase from 1986. Net income before income taxes dropped to 15.7 percent from 18.3 percent last year. Rent, property taxes and insurance declined from 10.3 in 1986 to 8.6 percent, the same as it had been in 1985.

The percentage of repeat business for all establishments fell to 41.7 percent from 54.9 percent in the previous year, a decrease of more than 24 percent. It is possible that the proliferation of new chains and their recent widespread availability is causing travelers to stay at different chains to make comparisons.

Another noteworthy finding indicates that the business/government sector accounted for the largest share of occupancy (51.5 percent) in highway area properties — possibly due to lower price and proximity to business functions.

Currently economy/limited-service properties are participating in a bullish market. Many hotel operators view this segment as currently oversupplied and with much competition, but with a healthy future for development. Continued growth in room supply, along with significant increases in demand, has contributed to occupancy rates remaining relatively stable in this segment of the industry.

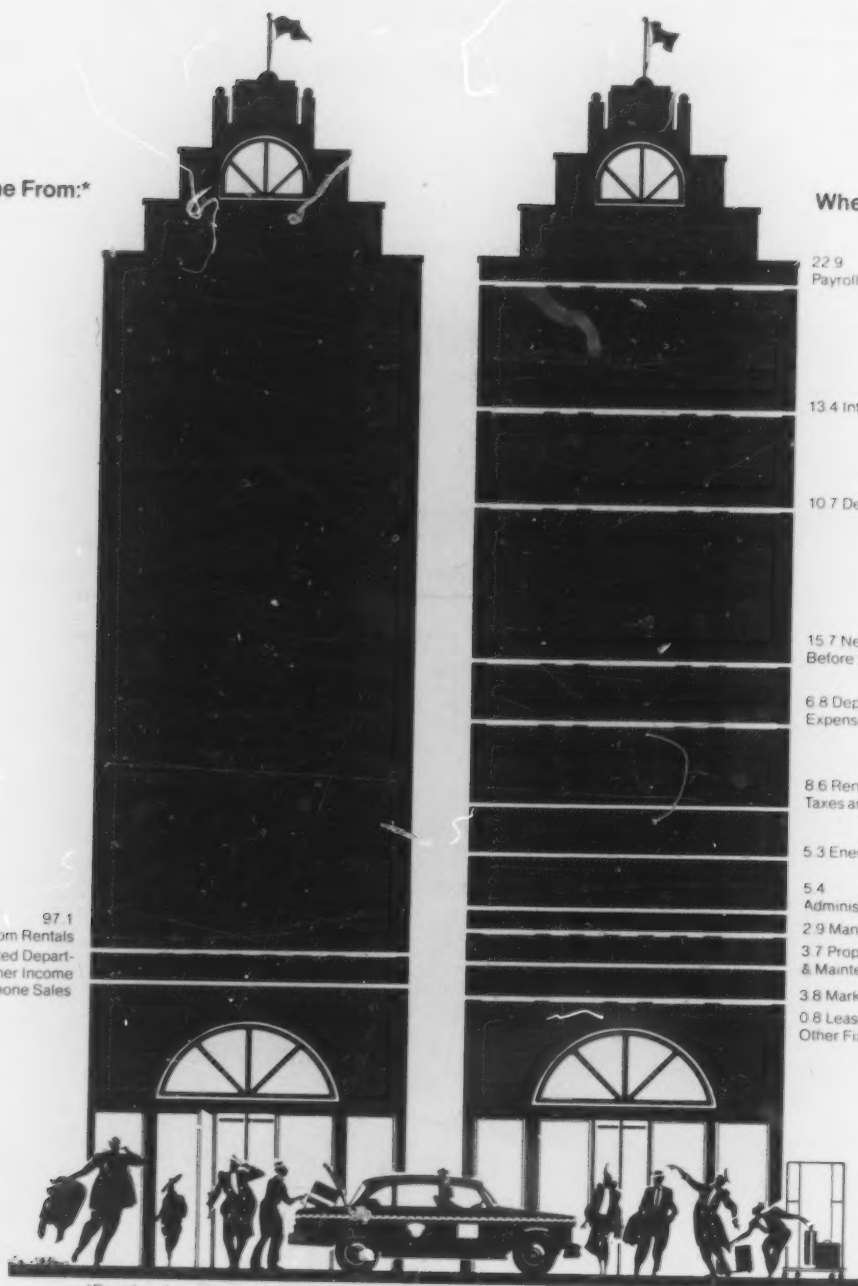
# The U.S. Economy/Limited-Service Lodging Industry Dollar 1987

## Where It Came From:\*

97.1  
Guest Room Rentals  
1.2 Minor Operated Depart-  
ments Rentals and Other Income  
1.7 Telephone Sales

## Where It Went:\*

22.9  
Payroll & Related Expenses  
  
13.4 Interest  
  
10.7 Depreciation  
  
15.7 Net Income  
Before Income Taxes  
  
6.8 Departmental  
Expenses  
  
8.6 Rent, Property  
Taxes and Insurance  
  
5.3 Energy Costs  
  
5.4  
Administrative and General  
2.9 Management Fees  
3.7 Property Operation  
& Maintenance  
3.8 Marketing  
0.8 Leased Equipment &  
Other Fixed Charges



\*Based on the weighted mean 1986 percentages in parentheses

**Exhibit I**  
*Profile of Contributors*

| Age               |       | Rate                |       |
|-------------------|-------|---------------------|-------|
| Built Before 1980 | 72.1% | Under \$26.00       | 34.8% |
| 1980-1986         | 27.9  | \$26.00-\$27.99     | 9.9   |
|                   |       | \$28.00-\$31.99     | 19.3  |
|                   |       | \$32.00 & Over      | 36.0  |
| Location          |       | Region              |       |
| Center City       | 3.0%  | East                | 24.0% |
| Suburban          | 18.0  | North Central       | 32.2  |
| Airport           | 3.0   | South Central       | 26.2  |
| Highway           | 49.8  | West                | 17.6  |
| Resort            | 2.1   |                     |       |
| Not Reported      | 18.9  |                     |       |
| Occupancy         |       | Size                |       |
| Less than 60%     | 42.9% | Under 75 Rooms      | 25.3% |
| 60-69%            | 22.3  | 75-99 Rooms         | 11.6  |
| 70-79%            | 19.7  | 100-125 Rooms       | 34.8  |
| 80% & Over        | 15.0  | Over 125 Rooms      | 28.3  |
| Sales Volume      |       |                     |       |
|                   |       | Under \$250,000     | **    |
|                   |       | \$250,000-\$499,999 | 17.6% |
|                   |       | \$500,000-\$999,999 | 29.6  |
|                   |       | \$1,000,000 & Over  | 52.8  |

\*\*insufficient response

  
*"During the Middle Ages, instead of making a fixed charge to the travelers, the German custom was to pass a plate upon which guests were permitted to place gratuitous offerings of what they thought their lodging was worth."*

**Exhibit 2**  
**Market Data\***

|                                            | Mean, All Establishments | Location of Property |               |               |               | Average Rate  |                 |                 |                  |
|--------------------------------------------|--------------------------|----------------------|---------------|---------------|---------------|---------------|-----------------|-----------------|------------------|
|                                            |                          | Suburban             | Airport       | Highway       | Resort        | Under \$26.00 | \$26.00-\$27.99 | \$28.00-\$31.99 | \$32.00 and Over |
| <b>Percentage of Repeat Business</b>       | <b>41.7%</b>             | <b>31.3%</b>         | <b>50.0%</b>  | <b>43.8%</b>  | <b>42.5%</b>  | <b>51.7%</b>  | <b>41.7%</b>    | <b>38.9%</b>    | <b>38.7%</b>     |
| <b>Composition of Market</b>               |                          |                      |               |               |               |               |                 |                 |                  |
| Business/Government                        | 43.4%                    | 34.8%                | 25.0%         | 51.5%         | 15.0%         | 65.0%         | 53.3%           | 40.9%           | 31.8%            |
| Leisure                                    | 42.8                     | 50.4                 | 15.0          | 36.0          | 80.0          | 19.2          | 36.7            | 39.9            | 58.0             |
| Conference Participants                    | 4.1                      | 4.0                  | 0.0           | 5.1           | 0.0           | 2.5           | 6.7             | 1.6             | 5.8              |
| Other                                      | 9.7                      | 10.8                 | 60.0          | 7.4           | 5.0           | 13.3          | 3.3             | 17.6            | 4.4              |
| <b>Total</b>                               | <b>100.0%</b>            | <b>100.0%</b>        | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b>   | <b>100.0%</b>   | <b>100.0%</b>    |
| Percentage of Advance Reservations         | 36.1%                    | 44.4%                | 80.0%         | 29.2%         | 52.5%         | 25.3%         | 26.7%           | 36.0%           | 43.9%            |
| <b>Composition of Advance Reservations</b> |                          |                      |               |               |               |               |                 |                 |                  |
| Direct Inquiry or Own Reservation System   | 71.9%                    | 62.8%                | 35.0%         | 79.6%         | 77.5%         | 79.2%         | 79.0%           | 65.1%           | 71.1%            |
| Independent Reservation System             | 2.2                      | 1.3                  | 0.0           | 2.3           | 0.0           | 4.0           | 1.0             | 1.3             | 2.3              |
| Travel Agent or Tour Operator              | 14.2                     | 22.3                 | 30.0          | 11.2          | 0.0           | 4.5           | 8.3             | 19.9            | 16.8             |
| Hotel Representative                       | 7.0                      | 4.4                  | 20.0          | 4.4           | 22.5          | 12.3          | 0.0             | 2.5             | 9.2              |
| Transportation Company                     | 4.7                      | 9.2                  | 15.0          | 2.5           | 0.0           | 0.0           | 11.7            | 11.2            | 0.6              |
| <b>Total</b>                               | <b>100.0%</b>            | <b>100.0%</b>        | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b>   | <b>100.0%</b>   | <b>100.0%</b>    |

\* All amounts are means

### Exhibit 3

#### Comparison of Sales and Profitability by Selected Criteria\*

|                                   | Amount Per Room |                              | Ratio to Total Sales         |
|-----------------------------------|-----------------|------------------------------|------------------------------|
|                                   | Total Sales     | Net Income Before Income Tax | Net Income Before Income Tax |
| <b>Age</b>                        |                 |                              |                              |
| Built Before 1980                 | \$6,575         | \$ 769                       | \$11.4%                      |
| 1980-1986                         | 7,952           | 150                          | 1.4                          |
| <b>Size</b>                       |                 |                              |                              |
| Under 75 Rooms                    | \$7,469         | \$ 752                       | 53.6%                        |
| 75-99 Rooms                       | 6,323           | 571                          | 8.9                          |
| 100-125 Rooms                     | 7,331           | 586                          | 8.4                          |
| Over 125 Rooms                    | 8,897           | (104)                        | (1.1)                        |
| <b>Rate</b>                       |                 |                              |                              |
| Under \$26.00                     | \$5,482         | \$(105)                      | 29.1%                        |
| \$26.00-\$27.99                   | 5,846           | 571                          | 8.9                          |
| \$28.00-\$31.99                   | 7,770           | 1,014                        | 11.7                         |
| \$32.00 & Over                    | 9,844           | 562                          | 6.0                          |
| <b>Occupancy</b>                  |                 |                              |                              |
| Under 60%                         | \$5,650         | \$(680)                      | (16.0)%                      |
| 60-69%                            | 7,482           | 579                          | 9.1                          |
| 70-79%                            | 9,577           | 1,208                        | 13.3                         |
| 80% & Over                        | 9,943           | 2,155                        | 23.6                         |
| <b>Median, All Establishments</b> | <b>\$7,700</b>  | <b>\$ 453</b>                | <b>13.6%</b>                 |

\*All amounts are medians.



**Exhibit 4***Occupancy and Average Rate*

|                                   | Percentage of Occupancy |              | Average Room Rate |                |
|-----------------------------------|-------------------------|--------------|-------------------|----------------|
|                                   | 1987                    | 1986         | 1987              | 1986           |
| <b>Age</b>                        |                         |              |                   |                |
| Built Before 1970                 | 58.3%                   | 56.4%        | \$29.89           | \$27.75        |
| 1970-1974                         | 63.7                    | 77.2         | 26.77             | 27.83          |
| 1975-1979                         | 74.3                    | 62.7         | 27.30             | 28.95          |
| 1980-1985                         | 70.4                    | 64.0         | 30.71             | 35.27          |
| <b>Size</b>                       |                         |              |                   |                |
| Under 75 Rooms                    | 71.0%                   | 69.0%        | \$28.17           | \$28.09        |
| 75-99 Rooms                       | 61.5                    | 64.2         | 26.80             | 28.92          |
| 100-125 Rooms                     | 64.3                    | 68.1         | 30.50             | 29.82          |
| Over 125 Rooms                    | 67.3                    | 61.9         | 33.52             | 32.22          |
| <b>Location</b>                   |                         |              |                   |                |
| Center City                       | 62.5%                   | 56.5%        | \$24.17           | \$30.36        |
| Suburban                          | 66.3                    | 65.9         | 32.95             | 36.63          |
| Highway                           | 63.8                    | 69.2         | 27.48             | 28.13          |
| Resort                            | 45.6                    | 93.9         | 40.40             | 24.87          |
| <b>Region*</b>                    |                         |              |                   |                |
| Northeast                         | 80.9%                   |              | \$35.03           | N/A            |
| Southeast                         | 74.2                    |              | 33.11             | N/A            |
| North Central                     | 64.4                    | 68.0         | 28.78             | 28.52          |
| South Central                     | 59.6                    | 50.1         | 32.69             | 31.32          |
| West                              | 63.1                    | 73.1         | 28.16             | 27.41          |
| <b>Median, All Establishments</b> | <b>65.3%</b>            | <b>66.3%</b> | <b>\$30.69</b>    | <b>\$29.04</b> |

N/A—not available

**Chart 1**  
*Technological Characteristics*  
*Property Automation*

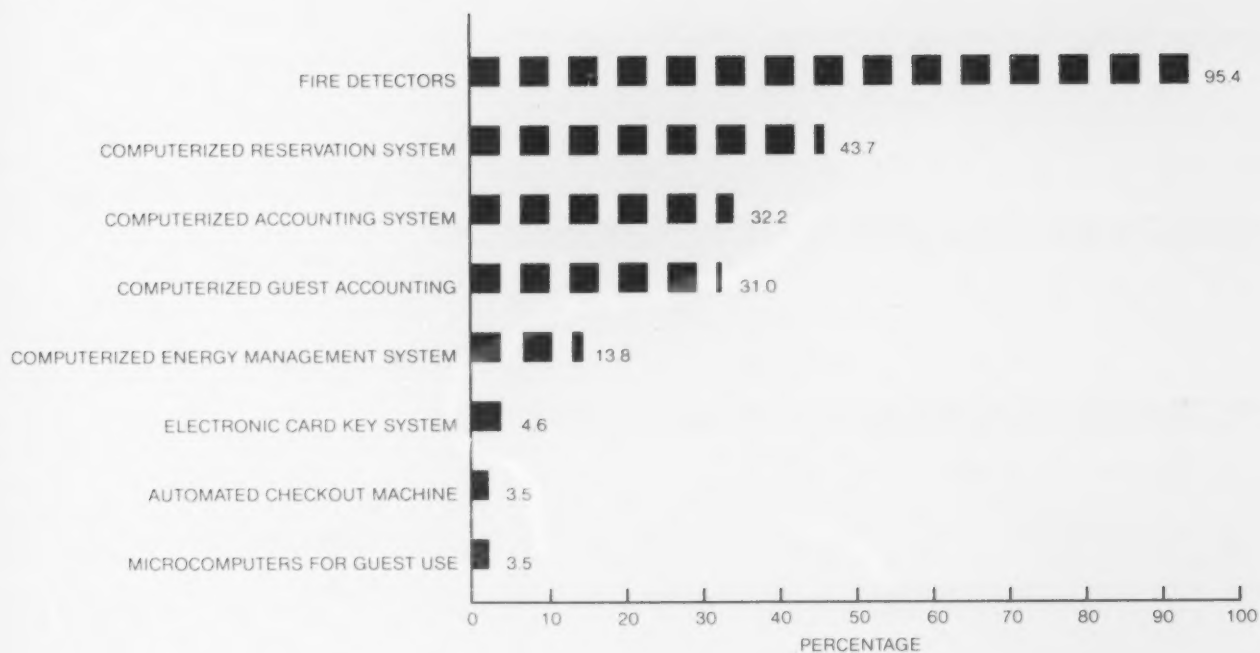


**Chart 2**  
*Technological Characteristics—*  
*Telecommunications*

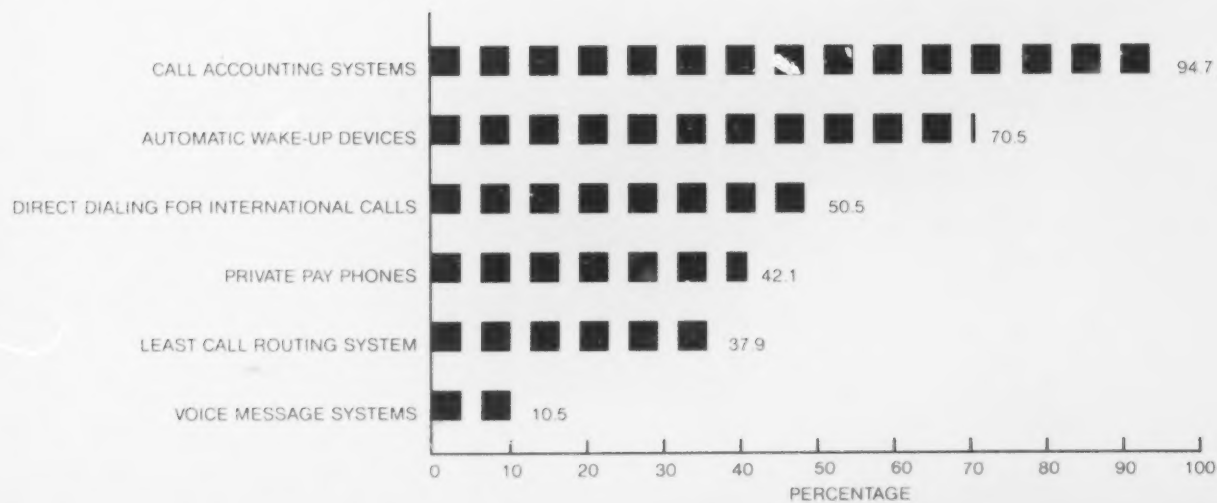
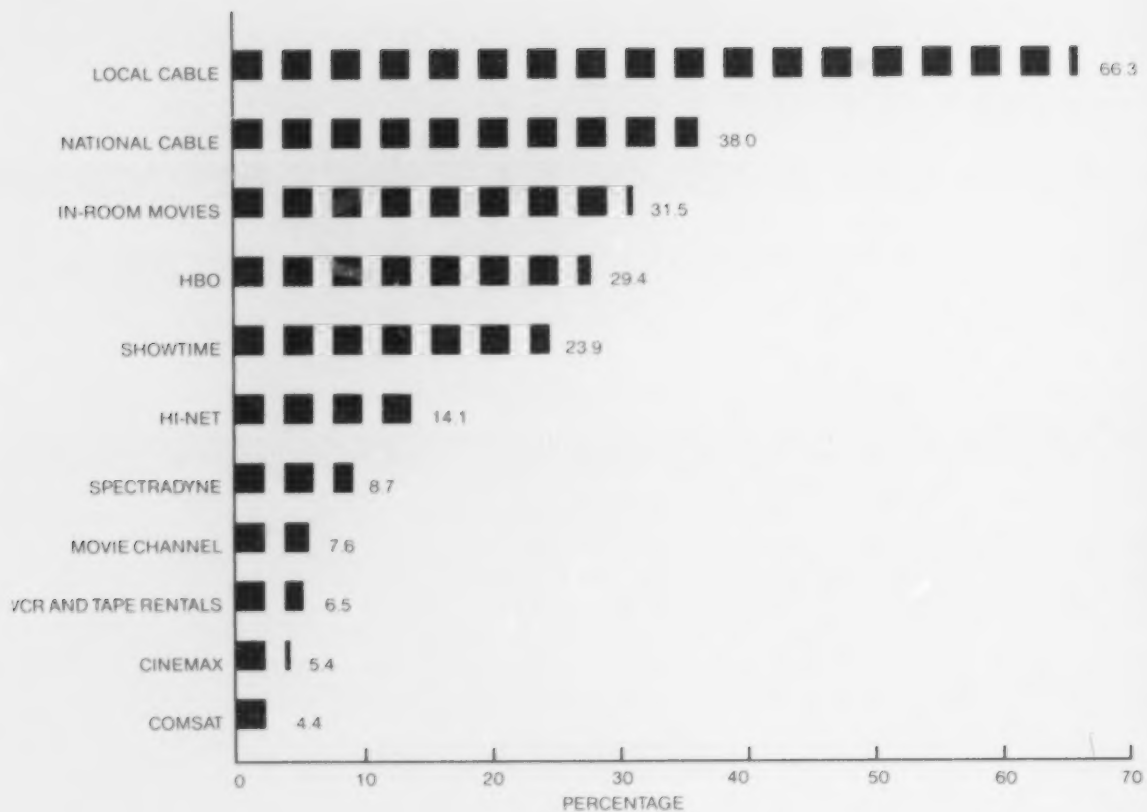


**Chart 3**

*Technological Characteristics –  
In-Room Entertainment Systems*



## Exhibit 5

### Composition of Sales\*

|                   | Location      |               |               |               | Size of Property |               |               |                |
|-------------------|---------------|---------------|---------------|---------------|------------------|---------------|---------------|----------------|
|                   | Center City   | Suburban      | Highway       | Resort        | Under 75 Rooms   | 75-99 Rooms   | 100-125 Rooms | Over 125 Rooms |
| Rooms             | 96.5%         | 95.8%         | 96.7%         | 87.5%         | 99.2%            | 96.6%         | 96.6%         | 94.6%          |
| Telephone         | 2.5           | 3.0           | 2.4           | 3.6           | 0.4              | 2.5           | 1.9           | 2.0            |
| Minor Departments | N             | N             | N             | N             | 0.0              | 0.0           | 0.7           | 0.3            |
| Rentals & Other   | 1.0           | 1.2           | 0.9           | 8.9           | 0.4              | 0.9           | 0.8           | 2.6            |
| <b>Total</b>      | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b>    | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b>  |

\*Based on arithmetic mean.

N = Negligible

## Exhibit 6

### Rooms Department Expenses

#### Per Occupied Room Per Day - By Occupancy\*

|                                    | Median, All Establishments | Occupancy     |               |               |               |
|------------------------------------|----------------------------|---------------|---------------|---------------|---------------|
|                                    |                            | Under 60%     | 60-69%        | 70-79%        | 80% and Over  |
| Payroll & Related Expenses         | \$5.58                     | \$6.03        | \$5.39        | \$5.69        | \$5.18        |
| Commissions & Reservation Expenses | .13                        | .25           | .11           | .18           | **            |
| Cleaning, Linen & Laundry          | .29                        | .35           | .29           | .23           | .06           |
| Operating Supplies                 | .64                        | .91           | .55           | .62           | .54           |
| Other Operating Expenses           | .11                        | **            | .30           | .10           | .06           |
| <b>Total - 1987</b>                | <b>\$6.20</b>              | <b>\$6.61</b> | <b>\$6.04</b> | <b>\$6.29</b> | <b>\$5.81</b> |
| Total - 1986                       | \$6.74                     | \$7.10        | \$6.91        | \$6.37        | \$6.16        |
| % Change                           | (8.0)%                     | (6.9)%        | (12.6)%       | (1.3)%        | (5.7)%        |

\*All figures are medians and do not necessarily add to totals shown. Based on those supplying detail.

\*\*Insufficient response

## Exhibit 7

*Average Number of Full-Time Employees During the Year\**  
*— All Establishments*

|                                  | Lower<br>Quartile | Median      | Upper<br>Quartile |
|----------------------------------|-------------------|-------------|-------------------|
| <b>Rooms</b>                     |                   |             |                   |
| Front Desk                       | 3.0               | 4.0         | 5.0               |
| Housekeeping                     | 6.0               | 10.0        | 12.0              |
| Telephone                        | **                | **          | **                |
| Minor Operated Departments       | **                | **          | **                |
| Administrative & General         | 1.0               | 2.0         | 2.0               |
| <b>Marketing</b>                 |                   |             |                   |
| Sales                            | **                | **          | 1.0               |
| Other Marketing                  | **                | **          | **                |
| Property Operation & Maintenance | 1.0               | 1.0         | 2.0               |
| Other                            | **                | **          | **                |
| <b>Total</b>                     | <b>13.0</b>       | <b>17.0</b> | <b>20.0</b>       |

\*Based on those supplying detail

\*\*Insufficient response

*"Spring  
mattresses  
owe their first  
appearance to  
hotels before  
they were  
adapted to  
general use."*

**Exhibit 8****Total Revenues vs. Total Payroll\***

|                                   | Amount Per Room |                |
|-----------------------------------|-----------------|----------------|
|                                   | Total Revenue   | Total Payroll  |
| <b>Age</b>                        |                 |                |
| Built Before 1970                 | \$8,481         | \$1,759        |
| 1970-1974                         | 6,323           | 1,531          |
| 1975-1979                         | 8,909           | 2,423          |
| 1980-1985                         | 7,952           | 1,525          |
| <b>Size</b>                       |                 |                |
| Under 75 Rooms                    | \$7,469         | \$1,598        |
| 75-99 Rooms                       | 6,323           | 1,262          |
| 100-125 Rooms                     | 7,331           | 1,519          |
| Over 125 Rooms                    | 8,871           | 1,886          |
| <b>Rate</b>                       |                 |                |
| Under \$26.00                     | \$5,482         | \$1,232        |
| \$26.00-\$27.99                   | 5,846           | 1,397          |
| \$28.00-\$31.99                   | 7,759           | 1,707          |
| \$32.00 & Over                    | 9,791           | 2,071          |
| <b>Occupancy</b>                  |                 |                |
| Under 60%                         | \$5,622         | \$1,505        |
| 60-69%                            | 7,482           | 1,513          |
| 70-79%                            | 9,267           | 1,822          |
| 80% & Over                        | 9,365           | 1,636          |
| <b>Region</b>                     |                 |                |
| Northeast                         | \$10,707        | \$4,845        |
| Southeast                         | 9,140           | 1,735          |
| North Central                     | 7,404           | 1,433          |
| South Central                     | 6,955           | 1,725          |
| West                              | 7,217           | 1,651          |
| <b>Median, All Establishments</b> | <b>\$7,647</b>  | <b>\$1,274</b> |

\*All amounts are medians.

Total payroll figure is based on cash payroll and employee benefits from all departments.

### Exhibit 9

#### Payroll and Related Expenses

#### Per Occupied Room Per Day\* — By Occupancy

|                                  | Median, All Establishments | Occupancy     |               |               |               |
|----------------------------------|----------------------------|---------------|---------------|---------------|---------------|
|                                  |                            | Under 60%     | 60-69%        | 70-79%        | 80% and Over  |
| Rooms                            | \$6.28                     | \$5.42        | \$7.22        | \$7.53        | \$6.96        |
| Minor-Operated Departments       | **                         | **            | **            | **            | **            |
| Administrative & General         | 3.03                       | 2.30          | 3.64          | 3.65          | 2.37          |
| Marketing                        | 1.37                       | 1.01          | 1.65          | 1.73          | 1.11          |
| Property Operation & Maintenance | 1.30                       | 1.18          | 1.39          | 1.47          | 1.05          |
| <b>Total 1987</b>                | <b>\$6.03</b>              | <b>\$6.61</b> | <b>\$6.22</b> | <b>\$6.94</b> | <b>\$5.00</b> |
| Total—1986                       | \$6.90                     | \$7.34        | \$7.11        | \$6.61        | \$5.40        |
| % Change                         | (12.6)%                    | (9.9)%        | (12.5)%       | 5.0%          | (7.4)%        |

\*Based on those supplying detail.

\*\*Insufficient response

### Exhibit 10

#### Management Fees — All Establishments

|                             | Lower Quartile | Median | Upper Quartile |
|-----------------------------|----------------|--------|----------------|
| <b>Amount Per Room</b>      |                |        |                |
| 1987                        | \$303          | \$426  | \$553          |
| 1986                        | 267            | 374    | 507            |
| <b>Ratio to Total Sales</b> |                |        |                |
| 1987                        | 4.4%           | 4.8%   | 5.7%           |
| 1986                        | 4.2            | 5.0    | 6.2            |

### Exhibit 11

#### Energy Costs Per Occupied Room Per Day — By Region\*

|                          | Mean, All Establishments | Region        |               |               |               |               |
|--------------------------|--------------------------|---------------|---------------|---------------|---------------|---------------|
|                          |                          | Northeast     | Southeast     | North Central | South Central | West          |
| Fuel                     | \$ .24                   | \$ .25        | \$ .25        | \$ .19        | \$ .24        | \$ .32        |
| Electricity              | 1.51                     | 4.51          | 1.26          | 1.60          | 1.56          | 1.32          |
| Water                    | .32                      | .36           | .43           | .22           | .33           | .35           |
| <b>Total Cost — 1987</b> | <b>\$2.07</b>            | <b>\$5.11</b> | <b>\$1.95</b> | <b>\$2.01</b> | <b>\$2.14</b> | <b>\$1.99</b> |

\*Based on arithmetic mean.

# Exhibit 12

## Analysis of Undistributed Operating Expenses – By Selected Criteria\*

|                                             | Median, All<br>Establishments | Age of Property   |              |
|---------------------------------------------|-------------------------------|-------------------|--------------|
|                                             |                               | Built Before 1980 | 1980-1986    |
| <b>Administrative &amp; General</b>         |                               |                   |              |
| Cost Per Room                               |                               |                   |              |
| Payroll & Related Expenses                  | \$406                         | \$406             | \$430        |
| Total Other Expenses                        | 437                           | 352               | 353          |
| Total                                       | \$796                         | \$560             | \$610        |
| Ratio to Total Sales                        |                               |                   |              |
| Payroll & Related Expenses                  | 5.2%                          | 6.4%              | 4.9%         |
| Total Other Expenses                        | 5.2                           | 6.3               | 5.2          |
| Total                                       | 10.1%                         | 9.8%              | 9.5%         |
| <b>Marketing</b>                            |                               |                   |              |
| Cost Per Room – Total                       | \$403                         | \$424             | \$479        |
| Ratio to Total Sales – Total                | 4.5%                          | 6.3%              | 5.4%         |
| <b>Energy Costs</b>                         |                               |                   |              |
| Cost Per Room – Total                       | \$482                         | \$606             | \$403        |
| Ratio to Total Sales – Total                | 6.4%                          | 9.0%              | 5.5%         |
| <b>Property Operation &amp; Maintenance</b> |                               |                   |              |
| Cost Per Room                               |                               |                   |              |
| Payroll & Related Expenses                  | \$133                         | \$138             | \$146        |
| Other Expenses                              | 221                           | 295               | 217          |
| <b>Total</b>                                | <b>\$355</b>                  | <b>\$455</b>      | <b>\$341</b> |
| Ratio to Total Sales                        |                               |                   |              |
| Payroll & Related Expenses                  | 1.7%                          | 2.3%              | 1.9%         |
| Other Expenses                              | 3.0                           | 4.3               | 2.6          |
| <b>Total</b>                                | <b>4.2%</b>                   | <b>6.1%</b>       | <b>4.2%</b>  |

\*All figures are medians and do not necessarily add to totals shown. Based on those supplying detail.

\*\*Insufficient response

| Size of Property |             |               |                | Occupancy |        |        |              |
|------------------|-------------|---------------|----------------|-----------|--------|--------|--------------|
| Under 75 Rooms   | 75-99 Rooms | 100-125 Rooms | Over 125 Rooms | Under 60% | 60-69% | 70-79% | 80% and Over |
| \$520            | \$339       | \$397         | \$416          | \$337     | \$406  | \$474  | \$447        |
| 432              | 384         | 350           | 525            | 350       | 451    | 544    | 604          |
| \$982            | \$641       | \$720         | \$892          | \$658     | \$833  | \$982  | \$970        |
| 7.1%             | 5.7%        | 5.7%          | 4.4%           | 5.7%      | 5.6%   | 4.9%   | 4.0%         |
| 1.0              | 5.8         | 5.5           | 6.4            | 7.4       | 5.8    | 5.3    | 6.3          |
| 1.0%             | 10.2%       | 10.7%         | 10.7%          | 12.1%     | 10.6%  | 10.6%  | 9.6%         |
| \$346            | \$350       | \$385         | \$456          | \$350     | \$387  | \$485  | \$482        |
| 2.3%             | 6.0%        | 5.1%          | 5.1%           | 6.3%      | 4.6%   | 5.0%   | 4.7%         |
| \$618            | \$508       | \$459         | \$495          | \$425     | \$485  | \$493  | \$556        |
| 7.6%             | 8.6%        | 6.1%          | 5.4%           | 7.7%      | 6.3%   | 5.1%   | 5.0%         |
| \$103            | \$123       | \$118         | \$147          | \$112     | \$131  | \$145  | \$160        |
| 167              | 283         | 215           | 252            | 233       | 192    | 233    | 249          |
| \$240            | \$392       | \$341         | \$409          | \$337     | \$328  | \$390  | \$372        |
| 1.4%             | 2.1%        | 1.7%          | 1.7%           | 2.1%      | 1.6%   | 1.5%   | 1.7%         |
| 2.6              | 3.9         | 3.0           | 3.2            | **        | **     | **     | **           |
| 2.7%             | 5.5%        | 4.8%          | 4.9%           | 6.8%      | 4.8%   | 4.1%   | 3.6%         |

# Exhibit 13

## Method of Payment For Services\*

|                                 | Method of Payment |              |                  |
|---------------------------------|-------------------|--------------|------------------|
|                                 | Cash              | Credit Card  | All Other Credit |
| <b>Size</b>                     |                   |              |                  |
| Under 75 Rooms                  | 57.8%             | 38.3%        | 3.9%             |
| 75-99 Rooms                     | 59.0              | 35.0         | 6.0              |
| 100-125 Rooms                   | 50.6              | 41.3         | 8.1              |
| Over 125 Rooms                  | 36.2              | 50.9         | 12.9             |
| <b>Location</b>                 |                   |              |                  |
| Center City                     | 50.0%             | 47.0%        | 3.0%             |
| Suburban                        | 32.8              | 58.4         | 8.8              |
| Highway                         | 56.5              | 36.2         | 7.3              |
| <b>Rate</b>                     |                   |              |                  |
| Under \$26.00                   | 64.9%             | 31.6%        | 3.5%             |
| \$26.00-27.99                   | 52.5              | 31.3         | 16.2             |
| \$28.00-31.99                   | 43.1              | 44.2         | 12.7             |
| \$32.00 & Over                  | 38.4              | 52.4         | 9.2              |
| <b>Sales Volume</b>             |                   |              |                  |
| Under \$250,000                 | 62.9%             | 33.3%        | 3.8%             |
| \$250,000-\$499,999             | 50.4              | 42.3         | 7.3              |
| \$500,000-\$999,999             | 51.8              | 41.4         | 6.8              |
| \$1,000,000 & Over              | 39.4              | 48.4         | 12.2             |
| <b>Mean, All Establishments</b> | <b>46.7%</b>      | <b>44.1%</b> | <b>9.3%</b>      |

\*Based on those supplying detail. All amounts are means.

\*\*Insufficient response



**Exhibit 14***Statement of Income and Expenses**Amount Per Available Room and Ratios to Total Sales — All Establishments\**

|                                                                       | Amount Per<br>Available Room | Ratio to<br>Total Sales |
|-----------------------------------------------------------------------|------------------------------|-------------------------|
| <b>Revenues</b>                                                       |                              |                         |
| Rooms                                                                 | \$7,499                      | 96.9%                   |
| Telephone                                                             | 187                          | 2.6                     |
| Minor-Operated                                                        | 230                          | 2.6                     |
| Rentals & Other Income                                                | 50                           | 0.5                     |
| Total                                                                 | \$7,700                      | 100.0%                  |
| <b>Department Expenses</b>                                            |                              |                         |
| Rooms                                                                 | \$1,697                      | 22.9%                   |
| Telephone                                                             | 174                          | 2.6                     |
| Minor-Operated                                                        | 238                          | 2.6                     |
| Total                                                                 | \$1,921                      | 26.0%                   |
| <b>Department Profit</b>                                              |                              |                         |
| Rooms                                                                 | \$5,763                      | 74.1%                   |
| Telephone                                                             | (-5)                         | (-0.1)                  |
| Minor-Operated                                                        | (-12)                        | (-0.2)                  |
| Rentals & Other Income                                                | 50                           | 0.5                     |
| Total                                                                 | \$5,746                      | 74.0%                   |
| <b>Undistributed Operating Expenses— Administrative &amp; General</b> |                              |                         |
| Payroll & Related                                                     | \$ 406                       | 5.2%                    |
| Other                                                                 | 437                          | 5.2                     |
| Total                                                                 | \$ 796                       | 10.1%                   |
| <b>Marketing</b>                                                      |                              |                         |
| Payroll & Related                                                     | \$ 128                       | 1.5%                    |
| Other                                                                 | 308                          | 3.8                     |
| Total                                                                 | \$ 403                       | 4.5                     |
| <b>Energy Costs</b>                                                   |                              |                         |
| Property Operation & Maintenance                                      | \$ 482                       | 6.4%                    |
| Payroll & Related                                                     | 133                          | 1.7                     |
| Other                                                                 | 221                          | 3.0                     |
| Total                                                                 | \$ 355                       | 4.2%                    |
| <b>Total Undistributed Operating Expenses</b>                         | <b>\$1,674</b>               | <b>20.2%</b>            |
| Income Before Management Fees                                         | \$3,744                      | 48.6%                   |
| Management Fees (Base & Incentive)                                    | \$ 426                       | 4.8%                    |
| Income Before Fixed Charges                                           | \$3,337                      | 45.4%                   |
| <b>Fixed Charges</b>                                                  |                              |                         |
| Rent                                                                  | \$ 441                       | 5.5%                    |
| Property Taxes                                                        | 282                          | 4.2                     |
| Property Insurance                                                    | 195                          | 2.7                     |
| Interest                                                              | 1,235                        | 18.0                    |
| Depreciation & Amortization                                           | 1,280                        | 15.2                    |
| Leased Equipment                                                      | 53                           | 0.7                     |
| Other                                                                 | 15                           | 0.2                     |
| Total                                                                 | \$2,915                      | 37.4%                   |
| <b>Income Before Income Taxes</b>                                     | <b>\$ 453</b>                | <b>13.6%</b>            |

\*All amounts are medians and do not necessarily add to totals shown

# Exhibit 15

## Statement of Income and Expenses—Amount Per Available Room\*

|                                               | Age of Property   |           |
|-----------------------------------------------|-------------------|-----------|
|                                               | Built Before 1980 | 1980-1986 |
| Annual Occupancy                              | 65.3%             | 70.4%     |
| Annual Room Rate                              | \$26.86           | \$30.71   |
| <b>Revenue:</b>                               |                   |           |
| Rooms                                         | \$6,413           | \$7,779   |
| Telephone                                     | 130               | 200       |
| Minor-Operated                                | **                | **        |
| Rentals & Other Income                        | 32                | 28        |
| Total                                         | \$6,575           | \$7,952   |
| <b>Department Expenses</b>                    |                   |           |
| Rooms                                         | \$1,584           | \$1,641   |
| Telephone                                     | 151               | 209       |
| Minor-Operated                                | **                | **        |
| Total                                         | \$1,682           | \$1,896   |
| <b>Department Profit</b>                      |                   |           |
| Rooms                                         | \$4,746           | \$5,742   |
| Telephone                                     | (-1)              | (-2)      |
| Minor-Operated                                | **                | **        |
| Rentals & Other Income                        | 32                | 28        |
| Total                                         | \$4,742           | \$5,733   |
| <b>Undistributed Operating Expenses</b>       |                   |           |
| Administrative & General                      |                   |           |
| Payroll & Related                             | \$ 406            | \$ 430    |
| Other                                         | 352               | 353       |
| Total                                         | \$ 560            | \$ 610    |
| <b>Marketing</b>                              |                   |           |
| Payroll & Related                             | **                | \$ 153    |
| Other                                         | \$ 424            | \$ 316    |
| Total                                         | \$ 424            | \$ 479    |
| <b>Energy Costs</b>                           |                   |           |
|                                               | \$ 606            | \$ 403    |
| <b>Property Operations &amp; Maintenance</b>  |                   |           |
| Payroll & Related                             | \$ 138            | \$ 146    |
| Other                                         | \$ 295            | \$ 217    |
| Total                                         | \$ 455            | \$ 341    |
| <b>Total Undistributed Operating Expenses</b> |                   |           |
|                                               | \$1,673           | \$1,255   |
| Income Before Management Fees                 | \$2,418           | \$4,017   |
| Management Fees (Base & Incentive)            | \$ 415            | \$ 469    |
| Income Before Fixed Charges                   | \$2,399           | \$3,966   |
| <b>Fixed Charges</b>                          |                   |           |
| Rent                                          | \$ 396            | \$ 824    |
| Property Taxes                                | 235               | 274       |
| Property Insurance                            | 242               | 233       |
| Interest                                      | 511               | 1,293     |
| Depreciation & Amortization                   | 879               | 1,165     |
| Total                                         | \$1,597           | \$3,107   |
| <b>Income Before Income Taxes</b>             |                   |           |
|                                               | \$ 769            | \$ 150    |

| Size of Property |             |               |                | Average Room Rate |                 |                 |                  |
|------------------|-------------|---------------|----------------|-------------------|-----------------|-----------------|------------------|
| Under 75 Rooms   | 75-99 Rooms | 100-125 Rooms | Over 125 Rooms | Under \$26.00     | \$26.00-\$27.99 | \$28.00-\$31.99 | \$32.00 and Over |
| 71.0%            | 62.0%       | 64.6%         | 67.2%          | 63.5%             | 58.9%           | 70.0%           | 67.9%            |
| \$28.17          | \$26.80     | \$30.50       | \$33.52        | \$23.00           | \$27.07         | \$29.98         | \$35.69          |
| \$7.170          | \$6.122     | \$7.171       | \$8.347        | \$5.537           | \$5.822         | \$7.514         | \$9.213          |
| 144              | 136         | 187           | 260            | 118               | 141             | 201             | 277              |
| **               | **          | 224           | 238            | **                | **              | 174             | 238              |
| 28               | 18          | 50            | 85             | 18                | 36              | 65              | 87               |
| \$7.469          | \$6.323     | \$7.331       | \$8.897        | \$5.482           | \$5.846         | \$7.770         | \$9.844          |
| \$1.635          | \$1.413     | \$1.671       | \$1.877        | \$1.206           | \$1.498         | \$1.704         | \$1.922          |
| 186              | 212         | 167           | 168            | 150               | 198             | 181             | 175              |
| **               | **          | 246           | 252            | **                | **              | 197             | 247              |
| \$1.817          | \$1.670     | \$1.867       | \$2.145        | \$1.384           | \$1.653         | \$1.967         | \$2.212          |
| \$5.534          | \$4.626     | \$5.561       | \$6.321        | \$4.096           | \$4.481         | \$5.695         | \$7.194          |
| (-28)            | (-6)        | (-7)          | (-3)           | (-21)             | (-10)           | (-3)            | (-4)             |
| **               | **          | (-12)         | (-11)          | **                | **              | (-24)           | (-9)             |
| 28               | 18          | 50            | 85             | 18                | 36              | 65              | 87               |
| \$5.581          | \$4.573     | \$5.502       | \$6.543        | \$4.002           | \$4.400         | \$5.735         | \$7.409          |
| \$ 520           | \$ 339      | \$ 397        | \$ 416         | \$ 256            | \$ 374          | \$ 417          | \$ 454           |
| 432              | 384         | 350           | 525            | 301               | 304             | 320             | 573              |
| \$ 982           | \$ 641      | \$ 720        | \$ 892         | \$ 557            | \$ 593          | \$ 730          | \$1 066          |
| **               | **          | 128           | 129            | \$ **             | **              | \$ 109          | \$ 132           |
| 346              | 339         | 276           | 334            | 192               | 309             | 367             | 339              |
| \$ 346           | \$ 350      | \$ 385        | \$ 456         | \$ 192            | \$ 309          | \$ 427          | \$ 506           |
| \$ 618           | \$ 508      | \$ 459        | \$ 495         | \$ 420            | \$ 444          | \$ 437          | \$ 509           |
| \$ 103           | \$ 123      | \$ 118        | \$ 147         | \$ 153            | \$ 108          | \$ 115          | \$ 134           |
| 167              | 283         | 215           | 252            | 192               | 220             | 214             | 250              |
| \$ 240           | \$ 392      | \$ 341        | \$ 409         | \$ 341            | \$ 320          | \$ 332          | \$ 410           |
| \$1,740          | \$1,666     | \$1,409       | \$2,011        | \$1,117           | \$1,199         | \$1,433         | \$2,140          |
| \$3,433          | \$2,808     | \$3,580       | \$4,189        | \$2,213           | \$2,295         | \$4,093         | \$4,581          |
| **               | \$ 310      | \$ 422        | \$ 444         | **                | \$ 275          | \$ 354          | \$ 479           |
| \$3,339          | \$2,556     | \$3,212       | \$4,044        | \$2,213           | \$2,232         | \$3,756         | \$4,227          |
| \$1,112          | **          | \$ 325        | \$ 76          | \$ 617            | **              | \$ 17           | \$ 28            |
| 181              | 226         | 282           | 350            | 203               | 241             | 298             | 348              |
| 161              | 246         | 104           | 217            | 249               | 226             | 173             | 114              |
| **               | 985         | 981           | 1,636          | 777               | 494             | 1,360           | 1,875            |
| 298              | 1,582       | 1,191         | 1,380          | 1,025             | 987             | 1,280           | 1,488            |
| \$1,979          | \$1,847     | \$2,646       | \$3,721        | \$2,422           | \$1,670         | \$2,917         | \$3,813          |
| \$ 752           | \$ 571      | \$ 586        | \$(-104)       | \$(-105)          | \$ 571          | \$1,014         | \$ 562           |

**Exhibit 15 (continued)**
**Statement of Income and Expenses — Ratio to Total Sales\***

|                                               | Age of Property   |           |
|-----------------------------------------------|-------------------|-----------|
|                                               | Built Before 1980 | 1980-1986 |
| Annual Occupancy                              | 65.3%             | 70.4%     |
| Annual Room Rate                              | \$26.86           | \$30.71   |
| <b>Revenue</b>                                |                   |           |
| Rooms                                         | 97.4%             | 96.8%     |
| Telephone                                     | 2.1               | 2.8       |
| Minor-Operated                                | **                | **        |
| Rentals & Other Income                        | 0.5               | 0.4       |
| Total                                         | 100.0%            | 100.0%    |
| <b>Department Expenses</b>                    |                   |           |
| Rooms                                         | 22.6%             | 23.5%     |
| Telephone                                     | 2.3               | 2.5       |
| Minor-Operated                                | **                | **        |
| Total                                         | 24.7%             | 26.4%     |
| <b>Department Profit</b>                      |                   |           |
| Rooms                                         | 74.0%             | 73.2%     |
| Telephone                                     | (-0.0)            | (-0.0)    |
| Minor-Operated                                | **                | **        |
| Rentals & Other Income                        | 0.5               | 0.4       |
| Total                                         | 75.3%             | 73.6%     |
| <b>Undistributed Operating Expenses</b>       |                   |           |
| Administrative & General                      |                   |           |
| Payroll & Related                             | 6.4%              | 4.9%      |
| Other                                         | 6.3               | 5.2       |
| Total                                         | 9.8%              | 9.5%      |
| <b>Marketing</b>                              |                   |           |
| Payroll & Related                             | **                | 1.3       |
| Other                                         | 6.0               | 4.5       |
| Total                                         | 6.3%              | 5.4%      |
| <b>Energy Costs</b>                           |                   |           |
|                                               | 9.0%              | 5.5%      |
| <b>Property Operations &amp; Maintenance</b>  |                   |           |
| Payroll & Related                             | 2.3%              | 1.9%      |
| Other                                         | 4.3               | 2.6       |
| Total                                         | 6.1%              | 4.2%      |
| <b>Total Undistributed Operating Expenses</b> |                   |           |
|                                               | 23.0%             | 20.7%     |
| Income Before Management Fees                 | 38.2%             | 49.3%     |
| Management Fees (Base & Incentive)            | 5.0%              | 4.8%      |
| Income Before Fixed Charges                   | 37.8%             | 45.9%     |
| <b>Fixed Charges</b>                          |                   |           |
| Rent                                          | 6.5%              | 15.1%     |
| Property Taxes                                | 4.0               | 4.0       |
| Property Insurance                            | 4.3               | 2.8       |
| Interest                                      | 9.1               | 21.1      |
| Depreciation & Amortization                   | 10.1              | 18.8      |
| Total                                         | 27.0%             | 49.7%     |
| <b>Income Before Income Taxes</b>             |                   |           |
|                                               | 11.4%             | 1.4%      |

| Size of Property |             |               |                | Average Room Rate |                 |                 |                  |
|------------------|-------------|---------------|----------------|-------------------|-----------------|-----------------|------------------|
| Under 75 Rooms   | 75-99 Rooms | 100-125 Rooms | Over 125 Rooms | Under \$26.00     | \$26.00-\$27.99 | \$28.00-\$31.99 | \$32.00 and Over |
| 71.0%            | 62.0%       | 64.6%         | 67.2%          | 63.5%             | 58.9%           | 70.0%           | 67.9%            |
| \$28.17          | \$26.80     | \$30.50       | \$33.52        | \$23.08           | \$27.07         | \$29.98         | \$35.69          |
| 99.6%            | 97.0%       | 96.7%         | 96.1%          | 99.5%             | 97.5%           | 96.3%           | 96.1%            |
| 2.2              | 2.4         | 2.6           | 3.0            | 2.3               | 2.5             | 2.6             | 2.8              |
| **               | **          | 2.6           | 2.6            | **                | **              | 2.5             | 2.6              |
| 0.3              | 0.4         | 0.6           | 1.1            | 0.3               | 0.6             | 1.2             | 0.9              |
| 100%             | 100%        | 100%          | 100%           | 100%              | 100%            | 100%            | 100%             |
| 23.7%            | 19.1%       | 23.5%         | 22.0%          | 23.7%             | 24.2%           | 24.0%           | 21.3%            |
| 3.1              | 2.4         | 2.5           | 2.0            | 3.1               | 3.3             | 2.4             | 2.0              |
| **               | **          | 3.0           | 2.6            | **                | **              | 2.8             | 2.6              |
| 26.7%            | 22.3%       | 26.5%         | 25.1%          | 26.7%             | 27.4%           | 27.1%           | 24.5%            |
| 75.0%            | 76.9%       | 72.7%         | 73.2%          | 74.6%             | 73.2%           | 72.0%           | 73.6%            |
| (-2.9)           | (-0.1)      | (-0.1)        | (-0.0)         | (-2.2)            | (-0.2)          | (-0.0)          | (-0.0)           |
| **               | **          | (-0.2)        | (-0.1)         | **                | **              | (-0.3)          | (-0.1)           |
| 0.3              | 0.4         | 0.6           | 1.1            | 0.3               | 0.6             | 1.2             | 0.9              |
| 73.3%            | 77.7%       | 73.5%         | 74.9%          | 73.3%             | 72.6%           | 72.9%           | 75.5%            |
| 7.1%             | 5.7%        | 5.7%          | 4.4%           | 5.0%              | 7.0%            | 5.9%            | 4.8%             |
| 1.0              | 5.8         | 5.5           | 6.4            | 1.4               | 5.3             | 5.1             | 6.1              |
| 1.0%             | 10.2%       | 10.7%         | 10.7%          | 1.4%              | 10.0%           | 10.9%           | 11.0%            |
| **               | **          | 1.5%          | 1.4%           | **                | **              | 1.6%            | 1.4%             |
| 2.3              | 5.8         | 3.8           | 4.1            | 2.4               | 4.9             | 5.2             | 3.6              |
| 2.3%             | 6.0%        | 5.1%          | 5.1%           | 2.4%              | 5.0%            | 6.1%            | 5.3%             |
| 7.6%             | 8.6%        | 6.1%          | 5.4%           | 7.8%              | 7.8%            | 5.8%            | 5.3%             |
| 1.4%             | 2.1%        | 1.7%          | 1.7%           | 2.5%              | 1.8%            | 1.7%            | 1.5%             |
| 2.6              | 3.9         | 3.0           | 3.2            | 3.1               | 3.7             | 3.0             | 2.4              |
| 2.7%             | 5.5%        | 4.8%          | 4.9%           | 4.0%              | 5.5%            | 4.1%            | 4.1%             |
| 6.7%             | 25.5%       | 21.9%         | 21.9%          | 8.5%              | 23.1%           | 20.6%           | 23.1%            |
| 55.4%            | 42.9%       | 45.6%         | 47.7%          | 52.8%             | 40.6%           | 51.2%           | 47.0%            |
| **               | 4.9%        | 5.0%          | 4.6%           | **                | 4.9%            | 4.8%            | 4.8%             |
| 54.4%            | 39.7%       | 42.6%         | 43.8%          | 52.8%             | 39.1%           | 46.2%           | 43.0%            |
| 14.0%            | **          | 4.8%          | 0.9%           | 10.6%             | **              | 0.3%            | 0.2%             |
| 2.3              | 4.0         | 4.1           | 4.6            | 4.3               | 4.3             | 4.3             | 4.0              |
| 2.7              | 3.8         | 1.7           | 2.9            | 4.0               | 3.4             | 2.1             | 1.2              |
| 22.2             | 16.6        | 15.2          | 18.6           | 15.8              | 8.0             | 19.9            | 21.8             |
| 3.7              | 16.8        | 15.4          | 15.7           | 15.3              | 12.6            | 17.2            | 14.8             |
| 32.2%            | 27.6%       | 37.4%         | 46.3%          | 40.3%             | 29.5%           | 38.9%           | 39.2%            |
| 53.6%            | 8.9%        | 8.4%          | (-1.1)%        | (29.1)%           | 8.9%            | 11.7%           | 6.0%             |

# Exhibit 16

## Statement of Income and Expenses – Amount Per Available Room\*

|                                               | Occupancy |         |         |
|-----------------------------------------------|-----------|---------|---------|
|                                               | Under 60% | 60-69%  | 70-79%  |
| Annual Occupancy                              | 50.6%     | 63.2%   | 74.6%   |
| Annual Room Rate                              | \$29.58   | \$31.02 | \$33.52 |
| <b>Revenue</b>                                |           |         |         |
| Rooms                                         | \$5,458   | \$7,212 | \$9,102 |
| Telephone                                     | 132       | 162     | 257     |
| Minor-Operated                                | 177       | 219     | 280     |
| Rentals & Other Income                        | 51        | 40      | 52      |
| Total                                         | \$5,650   | \$7,482 | \$9,577 |
| <b>Department Expenses</b>                    |           |         |         |
| Rooms                                         | \$1,338   | \$1,675 | \$2,014 |
| Telephone                                     | 123       | 173     | 217     |
| Minor-Operated                                | 235       | 214     | 278     |
| Total                                         | \$1,474   | \$1,937 | \$2,275 |
| <b>Department Profit</b>                      |           |         |         |
| Rooms                                         | \$3,848   | \$5,614 | \$7,228 |
| Telephone                                     | (-4)      | (-10)   | (-2)    |
| Minor-Operated                                | (-32)     | (-38)   | (-8)    |
| Rentals & Other Income                        | 51        | 40      | 52      |
| Total                                         | \$3,991   | \$5,623 | \$7,372 |
| <b>Undistributed Operating Expenses</b>       |           |         |         |
| Administrative & General                      |           |         |         |
| Payroll & Related                             | \$ 337    | \$ 406  | \$ 474  |
| Other                                         | 350       | 451     | 544     |
| Total                                         | \$ 658    | \$ 833  | \$ 982  |
| <b>Marketing</b>                              |           |         |         |
| Payroll & Related                             | \$ 105    | \$ 131  | \$ 145  |
| Other                                         | 304       | 281     | 346     |
| Total                                         | \$ 350    | \$ 387  | \$ 485  |
| <b>Energy Costs</b>                           |           |         |         |
|                                               | \$ 425    | \$ 485  | \$ 493  |
| <b>Property Operations &amp; Maintenance</b>  |           |         |         |
| Payroll & Related                             | \$ 112    | \$ 131  | \$ 145  |
| Other                                         | 233       | 192     | 233     |
| Total                                         | \$ 337    | \$ 328  | \$ 390  |
| <b>Total Undistributed Operating Expenses</b> |           |         |         |
|                                               | \$1,479   | \$1,583 | \$2,036 |
| Income Before Management Fees                 | \$1,933   | \$3,292 | \$4,696 |
| Management Fees (Base & Incentive)            | \$ 280    | \$ 412  | \$ 516  |
| Income Before Fixed Charges                   | \$1,743   | \$3,209 | \$4,276 |
| <b>Fixed Charges</b>                          |           |         |         |
| Rent                                          | \$ 96     | \$ 558  | \$ 226  |
| Property Taxes                                | 272       | 267     | 300     |
| Property Insurance                            | 180       | 196     | 160     |
| Interest                                      | 1,295     | 1,156   | 1,627   |
| Depreciation & Amortization                   | 1,322     | 1,112   | 1,289   |
| Total                                         | \$2,879   | \$2,549 | \$3,136 |
| <b>Income Before Income Taxes</b>             |           |         |         |
|                                               | \$(-680)  | \$ 579  | \$1,208 |

\*All amounts are medians and do not necessarily add to totals shown.  
 \*\*Insufficient response.

|              | Region  |               |               |          |
|--------------|---------|---------------|---------------|----------|
| 80% and Over | East    | North Central | South Central | West     |
| 86.6%        | 74.4%   | 64.4%         | 60.4%         | 63.1%    |
| \$30.31      | \$33.18 | \$28.78       | \$32.69       | \$28.16  |
| \$9.620      | \$8.738 | \$7.171       | \$6.443       | \$6.978  |
| 290          | 293     | 174           | 164           | 182      |
| **           | **      | **            | 214           | **       |
| 70           | 51      | 54            | 43            | 42       |
| \$9.943      | \$9.228 | \$7.404       | \$6.964       | \$7.355  |
| \$2.248      | \$2.148 | \$1.489       | \$1.688       | \$1.643  |
| 219          | 218     | 185           | 132           | 116      |
| **           | \$ 241  | \$ 181        | \$ 257        | **       |
| \$2.526      | \$2.432 | \$1.675       | \$1.908       | \$1.708  |
| \$7.189      | \$6.950 | \$5.657       | \$4.687       | \$5.595  |
| (-7)         | 5       | (-8)          | (-5)          | (-4)     |
| **           | (-2)    | 20            | (-56)         | **       |
| 70           | 51      | 54            | 43            | 42       |
| \$7.359      | \$7.271 | \$5.637       | \$5.042       | \$5.647  |
| \$ 447       | \$ 509  | \$ 403        | \$ 361        | \$ 384   |
| 604          | 450     | 359           | 467           | 585      |
| \$ 970       | \$ 966  | \$ 720        | \$ 820        | \$ 910   |
| \$ 168       | \$ 136  | \$ 124        | \$ 124        | \$ 142   |
| 341          | 418     | 272           | 286           | 249      |
| \$ 482       | \$ 522  | \$ 290        | \$ 402        | \$ 305   |
| \$ 556       | \$ 517  | \$ 419        | \$ 443        | \$ 412   |
| \$ 160       | \$ 145  | \$ 101        | \$ 134        | \$ 157   |
| 249          | 248     | 183           | 225           | 245      |
| \$ 372       | \$ 398  | \$ 281        | \$ 380        | \$ 423   |
| \$1,883      | \$1,869 | \$1,533       | \$1,760       | \$2,068  |
| \$5,311      | \$4,673 | \$3,534       | \$2,714       | \$2,421  |
| \$ 566       | \$ 508  | \$ 430        | \$ 388        | \$ 431   |
| \$4,813      | \$4,216 | \$3,292       | \$2,543       | \$2,421  |
| \$ 573       | \$ 49   | \$ 688        | \$ 364        | \$ 492   |
| 385          | 310     | 281           | 253           | 332      |
| 275          | 233     | 70            | 186           | 275      |
| 1,026        | 1,875   | 722           | 1,300         | 1,261    |
| 1,180        | 1,691   | 562           | 1,333         | 1,142    |
| \$3,005      | \$3,726 | \$1,886       | \$3,167       | \$3,057  |
| \$2,155      | \$ 907  | \$1,093       | \$(-344)      | \$(-363) |

(continued on next page) 33

**Exhibit 16 (continued)**
**Statement of Income and Expenses – Ratio to Total Sales\***

|                                               | Occupancy |         |         |
|-----------------------------------------------|-----------|---------|---------|
|                                               | Under 60% | 60-69%  | 70-79%  |
| Annual Occupancy                              | 50.6%     | 63.2%   | 74.6%   |
| Annual Room Rate                              | \$29.58   | \$31.02 | \$33.52 |
| <b>Revenue</b>                                |           |         |         |
| Rooms                                         | 96.1%     | 97.0%   | 96.4%   |
| Telephone                                     | 2.9       | 2.4     | 2.8     |
| Minor-Operated                                | 2.7       | 2.3     | 2.8     |
| Rentals & Other Income                        | 1.0       | 0.6     | 0.5     |
| Total                                         | 100.0%    | 100.0%  | 100.0%  |
| <b>Department Expenses</b>                    |           |         |         |
| Rooms                                         | 24.4%     | 22.1%   | 20.9%   |
| Telephone                                     | 2.4       | 2.7     | 2.1     |
| Minor-Operated                                | 3.4       | 2.3     | 2.5     |
| Total                                         | 27.9%     | 24.9%   | 23.3%   |
| <b>Department Profit</b>                      |           |         |         |
| Rooms                                         | 70.5%     | 74.2%   | 75.4%   |
| Telephone                                     | (-0.1)    | (-0.1)  | (-0.0)  |
| Minor-Operated                                | (-0.5)    | (-0.5)  | (-0.1)  |
| Rentals & Other Income                        | 1.0       | 0.6     | 0.5     |
| Total                                         | 72.1%     | 75.1%   | 76.7%   |
| <b>Undistributed Operating Expenses</b>       |           |         |         |
| Administrative & General                      |           |         |         |
| Payroll & Related                             | 5.7%      | 5.6%    | 4.9%    |
| Other                                         | 7.4       | 5.8     | 5.3     |
| Total                                         | 12.1%     | 10.6%   | 10.6%   |
| <b>Marketing</b>                              |           |         |         |
| Payroll & Related                             | 1.5%      | 1.4%    | 1.4%    |
| Other                                         | 5.5       | 4.1     | 3.9     |
| Total                                         | 6.3%      | 4.6%    | 5.0%    |
| <b>Energy Costs</b>                           |           |         |         |
|                                               | 7.7%      | 6.3%    | 5.1%    |
| <b>Property Operations &amp; Maintenance</b>  |           |         |         |
| Payroll & Related                             | 2.1%      | 1.6%    | 1.5%    |
| Other                                         | **        | **      | **      |
| Total                                         | 6.8%      | 4.8%    | 4.1%    |
| <b>Total Undistributed Operating Expenses</b> |           |         |         |
|                                               | 28.4%     | 20.7%   | 21.5%   |
| Income Before Management Fees                 | 36.2%     | 47.6%   | 52.6%   |
| Management Fees (Base & Incentive)            | 4.5%      | 4.8%    | 5.0%    |
| Income Before Fixed Charges                   | 33.8%     | 44.8%   | 49.0%   |
| <b>Fixed Charges</b>                          |           |         |         |
| Rent                                          | 2.4%      | 8.5%    | 2.5%    |
| Property Taxes                                | 4.9       | 3.5     | 3.1     |
| Property Insurance                            | 3.0       | 2.4     | 1.4     |
| Interest                                      | 22.3      | 15.4    | 18.4    |
| Depreciation & Amortization                   | 22.6      | 15.0    | 14.2    |
| Total                                         | 50.2%     | 35.9%   | 36.3%   |
| <b>Income Before Income Taxes</b>             |           |         |         |
|                                               | (-16)%    | 9.1%    | 13.3%   |

\*All amounts are medians and do not necessarily add to totals shown

\*\*Insufficient response

| 80% and Over | Region  |               |               |         |
|--------------|---------|---------------|---------------|---------|
|              | East    | North Central | South Central | West    |
| 86.6%        | 74.4%   | 64.4%         | 60.4%         | 63.1%   |
| \$30.31      | \$33.18 | \$28.78       | \$32.69       | \$28.16 |
| 96.7%        | 96.5%   | 97.1%         | 96.8%         | 97.4%   |
| 2.7          | 2.8     | 2.4           | 2.8           | 2.6     |
| **           | **      | **            | 2.5           | **      |
| 0.6          | 0.5     | 0.6           | 0.5           | 0.4     |
| 100.0%       | 100.0%  | 100.0%        | 100.0%        | 100.0%  |
| 21.0%        | 23.6%   | 21.8%         | 23.8%         | 23.1%   |
| 2.4          | 2.2     | 2.8           | 2.6           | 2.7     |
| **           | 2.5     | 2.3           | 3.1           | **      |
| 23.9%        | 26.1%   | 24.6%         | 27.2%         | 26.2%   |
| 75.2%        | 73.8%   | 76.5%         | 72.8%         | 74.9%   |
| (-0.1)       | (-0.1)  | (-0.1)        | (-0.1)        | (-0.3)  |
| **           | (-0.0)  | 0.4           | (-0.6)        | **      |
| 0.6          | 0.5     | 0.6           | 0.5           | 0.4     |
| 76.1%        | 73.9%   | 75.4%         | 72.8%         | 73.8%   |
| 4.0%         | 4.9%    | 5.7%          | 4.8%          | 5.2%    |
| 6.3          | 4.1     | 4.4           | 6.5           | 5.3     |
| 9.6%         | 9.1%    | 9.6%          | 10.7%         | 9.9%    |
| 1.5%         | 1.3%    | 1.4%          | 1.5%          | 1.6%    |
| 3.6          | 4.6     | 3.8           | 4.0           | 3.0     |
| 4.7%         | 5.8%    | 4.1%          | 4.9%          | 3.8%    |
| 5.0%         | 5.9%    | 7.0%          | 6.4%          | 6.4%    |
| 1.7%         | 1.7%    | 1.4%          | 2.1%          | 2.2%    |
| **           | 2.8     | 2.6           | 3.6           | 3.2     |
| 3.6%         | 4.2%    | 3.5%          | 5.7%          | 4.1%    |
| 18.1%        | 18.2%   | 18.3%         | 23.0%         | 18.0%   |
| 53.9%        | 51.9%   | 50.3%         | 42.5%         | 51.4%   |
| 5.0%         | 5.0%    | 5.3%          | 4.6%          | 4.9%    |
| 49.1%        | 48.3%   | 46.5%         | 39.3%         | 50.0%   |
| 6.3%         | 0.5%    | 8.5%          | 8.4%          | 6.3%    |
| 3.7          | 3.7     | 4.1           | 4.4           | 4.8     |
| 2.9          | 3.0     | 1.1           | 2.9           | 3.6     |
| 11.8         | 21.1    | 9.1           | 21.4          | 19.3    |
| 13.7         | 18.3    | 8.4           | 20.4          | 14.3    |
| 33.1%        | 41.6%   | 29.3%         | 50.2%         | 45.8%   |
| 23.6%        | 17.9%   | 19.5%         | (-3.7)%       | 13.3%   |

## APPENDIX I: UNDERSTANDING MEDIAN

Throughout the year the Research Division at Laventhol & Horwath receives many phone calls requesting explanations about information contained in this study. "What is a median?" and "Why don't these amounts add to the total?" are probably the two most asked questions. Hopefully, this article will shed some light on these confusing issues.

A median is defined as the middle value of all amounts calculated for a specific line item. For example, if we received nine responses for number of full-time employees — 8, 4, 2, 6, 9, 7, 5, 1, 3, these numbers would be arranged sequentially — 1, 2, 3, 4, 5, 6, 7, 8, 9 and the middle value "5" would be the median since 50 percent of the responses received are below the value and 50 percent are above.

The responses are also broken into quartiles, or four equal parts, with the median still being the middle value.

The *lower quartile* is the value that separates the lowest 25 percent of the responses from the rest of the sample when arranged sequentially, while the *upper quartile* defines the boundaries of the upper 25 percent of the responses from the lower 75 percent. Stated another way, 50 percent of all responses fall between the lower and upper quartiles. For example, if we receive 99 responses for a specific line item and the responses (conveniently) were numbered 1 thru 99, the median (or middle value) would be 50, the lower quartile would be 25

(25 percent of the responses would be below 25) and the upper quartile would be 75 (25 percent of the responses would be above 75). Fifty percent (or half) of the responses would fall between the lower and upper quartiles. (See chart on next page.)

Now that everyone has an understanding of medians, an attempt will be made to answer the question "Why don't the amounts add to the totals?"

The most important thing to remember is that *each line item*

*is analyzed separately!* In the accompanying table when all amounts are arranged sequentially, the median amount per available room for total revenue is \$7,719. This figure is based on the 200 properties\* that gave us information for this specific line item. The median amounts per room for telephone, minor operated, and rentals and other income were \$167, \$43 and \$99 respectively. These three amounts were analyzed on a sample of 256 properties that gave us separate income figures; 20 properties provided only information on room sales; they may have only had room revenue in their establishment. Variation in sample sizes is one reason why figures do not add to the totals shown.

There is another major reason why columns do not total. When using medians, it is important to remember that the median room sales, the median telephone sales and the median for the other income reported probably represent the results for many properties. This also holds true for lower and upper quartile figures.

One more fact to remember when comparing a hotel with those reported in this study is that it is not constructive to compare a whole column to your establishment's results (the median column, for example). If your hotel has roughly the same total sales as the median reported, it may not be correct to follow through using median amounts for costs and expenses. Since each line is analyzed separately, one property may be close to the

\*The numbers used for sample sizes are representative and are not actual sample sizes.

  
"As  
temperatures  
reached 110  
degrees in 1976,  
Phoenix  
Ramada Inns  
offered rooms  
for \$10 per  
night to area  
residents whose  
home air-  
conditioning  
units had failed  
during hot  
spells."

median in sales, but have much higher or lower costs and expenses. There are certain factors such as size of hotel and region that may predetermine the costs and expenses and will automatically make a figure higher or lower than the median.

The proper way to compare a property's results with those reported in this study is to first complete the worksheet provided in the back of this study. Then compare industry figures to your figures, line by line. Large variances may identify an area in an operation that requires closer analysis.

## Statement of Income and Expenses

*Median Amounts Per Available Room — All Establishments*

|                            | Amount Per Available Room |
|----------------------------|---------------------------|
| Revenue                    |                           |
| Rooms                      | \$7,417                   |
| Telephone                  | 167                       |
| Minor Operated Departments | 43                        |
| Rentals & Other Income     | 99                        |
| Total Revenue              | \$7,719                   |



## APPENDIX II: BASES AND SIGNIFICANCE OF LODGING STATISTICS

The operating ratios found in this report are based on a survey of a significant sample of the economy/limited-service sector of the lodging market. This report provides detailed guidelines that allow a manager of an economy property or an entrepreneur to evaluate his operation by comparing it with others that have similar characteristics (size, location, region, ownership of assets). Operating statistics used to analyze the economy/limited-service lodging industry express operating revenue and expenses as a ratio to total sales or as an amount per available room, the most common bases.

### Number of rooms

The number of rooms used in several computations is the total number of rooms available for guest rental during the year. All rooms used for management, employees and store rooms are not included in these totals.

### Room occupancy

The percentage of room occupancy is computed by dividing the total number of rooms occupied by the total number of rooms available for occupancy throughout the year. Seasonal fluctuations are thus removed, allowing properties in

various climates to be compared for the same period. Seasonal variations can be seen when analyzed on a monthly basis, such as in the *National Trend of Business in the Economy Lodging Industry*.

### Average room rate

The average room rate is computed by dividing rooms revenue, net of all allowances, by the total number of rooms occupied. Affecting this rate is the percentage of double occupancy associated with each property. Double occupancy is the percentage of rented rooms occupied by two or more persons. As the double occupancy increases, the room rate should also rise, since lodging facilities customarily charge a fee for each additional person occupying the guest room. Since most respondents in this survey did not report the total number of guest nights during the year, we were not able to report a double occupancy figure for 1987.

### Comparison of operating results

Due to the current uncertainties surrounding financing methods, operators of lodging establishments may lease all or part of their assets. Because of high construction and interest costs, many operators have turned to creative

financing techniques. For operators who lease their assets, fixed costs may differ significantly from those who own their assets. It is difficult to compare those operations with high depreciation and interest charges with those that are not required to pay any of those fees. To alleviate possible difficulties in comparison, it is recommended that the reader analyze results before fixed charges are deducted.

### Number of times the average rate was earned

The number of times the average rate was earned is obtained by dividing income before fixed charges per available room by the average room rate. In comparing the total earnings of various hotels, the basis of comparison should be the average earnings per available room, since a large hotel should earn more in total than a smaller one. At the same time, earnings per available room should be judged in relation to the rate charged. Combining both of these necessary components of analysis results in the number of times the average rate goes into the earnings per available room. Table I illustrates the practical application of this basis of comparison.

On the basis of the amount earned per available room, Hotel B seems to have the best record. But when the operating income is examined in relation to the average rate, it is evident that Hotel B did not do as well as Hotel A or Hotel C.

### Means, medians and quartiles

Most of the figures in this lodging survey are given as medians and quartiles rather than means. The median and upper and lower quartiles are calculated by first arraying all the numbers in the order of the lowest to the highest figure. The number that falls in the middle of the list is the median. The figure halfway between the lowest number and the median is the lower quartile, while the figure halfway between the median and the highest number is the upper quartile. To arrive at an arithmetic mean, divide the sum of the values by the number of items used.

Table 2 illustrates the difference between the two.

It can be seen how the inclusion of a unit with high sales per occupied room may bring about a mean that is not as representative of the group as is the median.

### Productive index

The productivity index measures employee productivity in terms of the total revenue received for each dollar spent on payroll expenses. It is computed by dividing total revenue by total payroll and related expenses.

Table 1

|                                                | Hotel A   | Hotel B   | Hotel C   |
|------------------------------------------------|-----------|-----------|-----------|
| Number of Available Rooms                      | 80        | 100       | 120       |
| Average Room Rate                              | \$15      | \$20      | \$17      |
| Income Before Fixed Charges                    | \$275,000 | \$385,000 | \$425,000 |
| Income Before Fixed Charges Per Available Room | \$3,438   | \$3,850   | \$3,542   |
| Number of Times Average Rate Was Earned        | 229       | 193       | 208       |

Table 2

|                    | Room Sales  | Occupied Rooms | Room Sales Per Occupied Room |
|--------------------|-------------|----------------|------------------------------|
| Hotel A            | \$ 300,000  | 20,000         | \$15.00                      |
| Hotel B            | 455,000     | 28,000         | 16.25                        |
| Hotel C            | 650,000     | 32,000         | 20.31                        |
| Hotel D            | 930,500     | 45,000         | 20.66                        |
| Hotel E            | 1,250,000   | 50,000         | 25.00                        |
| Total              | \$3,585,500 | 175,000        | \$97.24                      |
| Median             |             |                | \$20.31                      |
| Mean (\$97.24 ÷ 5) |             |                | \$19.45                      |



# PROPERTY ANALYSIS

*The worksheet to the right  
will provide a quick  
analysis of how your property  
is performing in comparison  
to the industry.*

Periodic analysis of the financial performance of your lodging establishment may provide early warning signs of potential problems. Examination on a regular basis could reveal undesirable trends and provide the opportunity for corrective action. The worksheet on this page is designed to provide a quick analysis of key items to reveal problem areas.

Follow these simple instructions for completing the worksheet:

1. Enter your figures in the first column.

2. Select the appropriate medians for comparison from the tables or text.

3. If the variance is greater than plus or minus 10 percent, further analysis should be made to determine the reason for that variance.

## Worksheet

(Use medians from exhibits)

| Amount Per Available Room          | Your Property | Comparison 1 | Comparison 2 |
|------------------------------------|---------------|--------------|--------------|
| Average Annual Occupancy Rate      |               |              |              |
| Average Annual Room Rate           |               |              |              |
| Revenues                           |               |              |              |
| Rooms                              |               |              |              |
| Telephone                          |               |              |              |
| Minor-Operated                     |               |              |              |
| Rentals & Other                    |               |              |              |
| Total                              |               |              |              |
| Department Expenses                |               |              |              |
| Rooms                              |               |              |              |
| Telephone                          |               |              |              |
| Minor-Operated                     |               |              |              |
| Total                              |               |              |              |
| Department Profit                  |               |              |              |
| Rooms                              |               |              |              |
| Telephone                          |               |              |              |
| Minor-Operated                     |               |              |              |
| Rentals & Other                    |               |              |              |
| Total                              |               |              |              |
| Undistributed Expenses             |               |              |              |
| Administrative & General           |               |              |              |
| Payroll & Related                  |               |              |              |
| Other                              |               |              |              |
| Total                              |               |              |              |
| Marketing                          |               |              |              |
| Payroll & Related                  |               |              |              |
| Other                              |               |              |              |
| Total                              |               |              |              |
| Energy                             |               |              |              |
| Property Operations & Maintenance  |               |              |              |
| Payroll & Related                  |               |              |              |
| Other                              |               |              |              |
| Total                              |               |              |              |
| Total Undistributed Expenses       |               |              |              |
| Income Before Management Fees      |               |              |              |
| Management Fees (Base & Incentive) |               |              |              |
| Income Before Fixed Charges        |               |              |              |
| Fixed Charges                      |               |              |              |
| Rent                               |               |              |              |
| Property Taxes                     |               |              |              |
| Property Insurance                 |               |              |              |
| Interest                           |               |              |              |
| Depreciation & Amortization        |               |              |              |
| Total Fixed Charges                |               |              |              |
| Income Before Income Taxes         |               |              |              |

## EXPLANATION OF TERMS

### Room sales

Guest rooms revenue generated from accommodations on a part-day occupancy, full-day or longer period basis, net of any rebates and discounts. Also included are charges for maid or linen services.

### Rentals and other income

Income from vending machine concessions and commissions, public telephone commissions, merchandise sales of postcards, souvenirs and newspapers, commissions on guest laundry, valet, meeting room rentals and all other income not included elsewhere.

### Payroll and related expenses—rooms department

The salaries and wages of departmental personnel and management including overtime, holiday and vacation pay. Also included are employee benefits and payroll taxes such as Federal, state, social security and workmen's compensation.

### Payroll and related expenses—administrative and general

Salaries and wages for the resident manager or managing director, secretaries, reception clerks and bookkeepers.

### Undistributed operating expenses—administrative and general

Expenses incurred from bad debts, credit card commissions, data processing services, general insurance, licenses and dues, operating supplies, professional fees, security services, travel and entertainment and other related miscellaneous expenses.

### Marketing

Advertising, publicity, franchise fees and other promotional expenses such as printing; newspaper, magazine and billboard space and broadcasting time.

### Energy

The cost of fuel, electrical current and water.

### Payroll and related expenses—property operation and maintenance

Payroll and related expenses associated with the repair and maintenance of the building, furniture and fixtures, equipment, in addition to all other expenses necessary to keep the property in operating condition.

### Property operation and maintenance

The cost of materials used in repairing equipment, the exterior and interior of the building (floors, walls, doors, furniture), grounds and landscaping, painting and decorating, the removal of waste matter and other related expenses necessary for the upkeep of the lodging facility.

### Management fees

Fees charged by a management organization for management service or supervision should be charged to the account.

### Income before fixed charges

For purposes of this economy/limited-service lodging industry study, income before fixed charges is defined as total departmental revenue from all sources (rooms, minor departments, rentals and other income and telephone) less all departmental and undistributed operating expenses. This is the income from all operations before deducting rent, property taxes, property insurance, interest, depreciation and income taxes.



## LEISURE TIME INDUSTRY CONTACTS

Laventhol & Horwath has, since its inception, provided sophisticated advisory services to all facets of the lodging industry. The Leisure Time Advisory Services practice is one of the largest of its kind in the country in terms of fee volume, professional staff, geographic diversification and service capability. L&H routinely serves as adviser to the nation's most prominent hotels, developers, financiers, syndicators and industrial corporations on methods used in developing, financing, managing and marketing lodging properties.

*The following list contains the services that L&H provides to the lodging industry as well as the contact person:*

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| Area of Specialization                              | Office            | Contact                               |
|-----------------------------------------------------|-------------------|---------------------------------------|
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| National Director, Leisure Time Industry Consulting | Executive Offices | Thomas W. Lattin                      |
| Economy/Limited-Service Lodging                     | Chicago, IL       | Daniel W. Daniele                     |
| Organizational Consulting                           | Chicago, IL       | Edwin T. Crego &<br>Edward A. Kazemek |
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